

Application of revenue management practices in meeting and event sector: conjoint analysis to customer perceptions in Kämp Group

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<p>Revenue management has become more and more popular within new industries and also the M&E sector has started to adopt some revenue management practices in order to overcome decreasing demand and eroded profits. Kämp Group, which is the commissioning party in this thesis, is interested to find out how they could apply revenue management into meetings and events. Moreover, Kämp Group is interested to study their customers perceptions to those practices. Hence the aim of this thesis is to find out to which extent Kämp Group's customers are willing to utilize possible outcomes of M&E revenue management.</p> <p>In the first part of this thesis similarities and differences between RM in the M&E sector and other industries are compared. Although some similarities also exist, the largest differences can be found within internal assessment and pricing. Furthermore, the literature discussed especially B2B customers' perceptions to hotel RM.</p> <p>The survey is conducted as quantitative research using conjoint analysis. SSI Web from Sawtooth Software was used to formulate the questions and the results were collected from Kämp Group's M&E customers during summer 2014. Furthermore, the results were analyzed SMRT program. Conjoint analysis was chosen as the method since it is not widely used in hospitality field and it can provide new insights to which attributes of M&E pricing are of most importance for customers.</p> <p>The results indicate that Kämp Group's M&E customers are not willing to utilize RM practices in forms of discount. Monetary benefits have minor or no effect at all in the behaviour of M&E customers. On the other hand, if e.g. 3 day change and cancellation policy is offered, customers are willing to pay significantly more for the meeting. Moreover, traditional meeting package, which is currently offered widely in Kämp Group, does not attract customers as much as meeting room rent including only technical equipment would attract. Therefore Kämp Group should consider offering alternative and more flexible options to customers in order to drive more demand.</p>	
Keywords Revenue management, meetings and events, conjoint analysis,	

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1 Introduction

During the past few years the meeting and event sector in the whole world and especially in Finland has been struggling with eroded profits and declining demand. Meeting and event industry is piercingly competitive environment and value for money has become the new norm also in meetings, where webinars and video conferences among other things have created a tremendous threat to traditional meetings (Dombey 2013). The single most important mean to increase profits has been cost cutting and Finland is no exception. It has been proved, however, that a far greater impact on profit can be achieved by increasing revenue at the same time with minor cost cutting compared to pure cost cutting. (Venkat 2011, 43.) On the other hand, it seems to be impossible to reduce costs anymore, since companies have already adjusted all possible expenses, which leaves increase in revenue the only option to increase profits (Talonen, J.11 Sep 2013; Farres 2012).

A survey conducted by Kimes (2011) indicates that revenue management (RM) will be applied next to meetings and events. Also Cross, Higbie and Cross (2009) discovered the same trend when interviewing revenue management professionals. However, research done about function space revenue management is fairly limited, and the existing literature originates mainly from the United States, where the scale for meetings and events is much larger compared to Finland. Furthermore, even less research has been done about customer perceptions to implications of revenue management and in the meeting and event sector this research simply does not exist. This topic has thus a significant importance especially to the Finnish meeting and event sector.

Commissioning party in this thesis is Kämp Group. Kämp Group is a Finnish hospitality company consisting of 6 hotels, their restaurants and meeting venues as well as Kämp Spa. Kämp Group has about 450 employees and the hotels are the market leader in Finnish lifestyle hotel sector. It should be noted, however, that the maximum capacity of the biggest function space in Kämp Group's hotels is roughly 200 persons. Thus the results of this thesis do not imply to exhibitions and bigger conferences. Following the trend seen in the literature, also the management in Kämp Group is interested in finding out their meeting and event customers' willingness to accept revenue

management implications, in other words the varying terms and conditions in regards to price, as part of the buying process.

The research about customer willingness to accept the implications and willingness to pay for the meetings and events will be tested using conjoint analysis. Managers in top hospitality companies see that in the future the focus will be more on external, potential demand than in internal, captured demand. Especially customers' willingness to pay interests hoteliers already today and in the future it will be even more valuable information. (Cross et al. 2009.) For this purpose conjoint analysis is a powerful tool, since it can provide researchers with highly detailed information about customer preferences regarding products and services, their price sensitivity in addition to their willingness to pay. Conjoint analysis is already widely used and one of the most popular quantitative methods among Marketing research companies. Within marketing field conjoint analysis is used to forecast how a new, or redesigned product will perform in the market. (Sawtooth Software, Inc. 2014a.)

1.1 Research questions and aim of the thesis

By utilizing conjoint analysis this thesis strives to find answer to the following research question: To which extent are Kämp Group's meeting and event customers willing to utilize possible outcomes of revenue management as part of their buying process?

Sub-research questions:

1. Are customers willing to save money by accepting the less favorable terms and conditions of booking or do they prefer consistency in regards to the price over money savings?
2. How much are they willing to pay for certain M&E pricing components?
3. Do the outcomes of revenue management practices affect demand in Kämp Group's meetings?

Furthermore, the aim is to determine the strength and mechanism of the relationship between RM practices and demand for meetings and events in Kämp Group. The research will focus on quantifying the strength of the implied cause-effect relationship

between price promotion and demand and also on discovering how this relationship actually works within Kämp Group. Thus this thesis aims to provide insights which RM practices could function in the M&E sector.

1.2 Objectives and scope of the thesis

The objective of this thesis is first to review the existing literature about revenue management and, more specifically, revenue management in the M&E sector. Chapter 2 presents an introduction to RM and outlines the general RM steps which also apply to the M&E sector. Chapter 3 focuses on distinctive steps between RM in airline and hotel industries and RM in meetings and events. Although a specific process recommendation for meeting and event RM already exists, the theoretical part of this thesis is built on the general RM model introduced by Tranter, Stuart-Hill & Parker (2009, 191). The reason being that only very limited literature is available on pure meeting and event RM. Therefore it is necessary to compare RM practices in other industries to RM in the meeting and event sector in order to understand the differences thoroughly. Secondly, the existing meeting and event RM literature originates mostly from the USA. Several sources discuss meetings from the aspect that also includes guest rooms. For example Corr (2013) introduces the the M&E revenue management approach based on the assumption that nearly half of the revenue related to meetings and events originates actually from room revenue. In Kämp Group, however, the number of room nights attached to meetings is not comprehensively studied. Thirdly, in theory the steps of the RM process are described in a specific order. In practice, however, the whole process should be continuous with all steps occurring simultaneously. Hence it is not of high importance in which order the steps are presented. (Niemi, N. 19 Feb 2014.)

Chapter 4 discusses customer perceptions of fairness and acceptability of revenue management implications. Although this chapter gives also an overview of individual customers' perceptions of revenue management, the focus is more on business-to-business (B2B) clients and especially key accounts. There are two reasons for this; firstly, to narrow down the topic and secondly, the meeting and event sector relies heavily on business customers. B2B customers differ from individual customers in their drivers to

buy and in the high expertise the buyers have of the buying processes, just to mention few distinctive characteristics. Therefore it is essential to research B2B customers' perceptions of revenue management in depth.

Based on the literature, a conceptual framework of possible RM practices is built. The objective of the research part in this thesis is to evaluate Kämp Group's meeting customers' opinions about the chosen revenue management practices. More specifically, the implications of those practices to customers are studied by using conjoint analysis. Conjoint analysis also gives directions on how much customers are willing to pay for different terms and conditions of booking, which is why it was chosen to be the research method in this thesis. The results of the research are introduced in chapter 6 and possible implications as well as recommendations are presented in chapter 7. Additionally, chapter 7 advises to which extent Kämp Group should actually implement the studied practices, if at all and what could help them to improve their M&E sector's profitability. Finally, chapter 8 summons up the outcomes of this thesis and discusses possible limitations in validity and reliability.

For readers benefit Attachment 1. includes a full explanation to all terms and concepts used in this thesis.

2 Introduction to revenue management

This chapter discusses the theory of revenue management in general. Secondly this chapter introduces some steps in revenue management which are rather similar in hotels, airlines and M&E sector.

2.1 Fundamentals of revenue management

RM is often referred to “selling the right product to the right customer at the right place at the right time” (Kimes & McGuire 2001). In this context the word “right” means bringing the most revenue for the company and highest value for the customer (Kimes, Barrash & Alexander 1999). Yeoman and McMahon-Beattie (2011, 1) define RM as the "strategic and tactical decisions firms take in order to optimize revenues and profits". In addition, revenue management utilizes different customer segments' willingness to pay different prices. In practice this means setting different prices according to forecasted demand and segments (dynamic pricing), so that the price-sensitive customers can book at off-peak periods whilst guests willing to pay more at peak periods can do so. (Kimes & Wirtz 2003.)

Especially airline and hotel industry have few characteristics that enable the success of revenue management. Those characteristics are:

- fixed capacity
- time-varied demand
- perishable inventory
- high fixed costs with low variable costs
- possibility to segment customers based on their willingness to pay

(Yeoman and McMahon-Beattie 2011, 9; Kimes & McGuire 2001.) Furthermore, Talluri and van Ryzin (2004, 14) emphasize the importance of price as a quality indicator and Talonen, J. (11 Sep 2013) adds to these the possibility to book the service in advance.

In meeting and event sector RM can be defined as following: “the goal of function space revenue management is to maximize the revenue contribution of each function

space for each time period that the space is available” (Kimes and McGuire 2001). Revenue management process in meeting and events is similar to hotel revenue management in several ways; it starts from tracking and managing demand from different segments, including also revenue optimization through differential pricing as well as constraints and policies (Dombey 2013). On the other hand, there are some distinctive characteristics between hotel RM and meeting and event RM, some of which are the changing capacity based on the seating style in addition to ancillary revenue which can contribute significantly to the total profit (Talonen, J. 28 Oct 2013; Dombey 2013).

Regardless of the industry, there are eight fundamental steps in the process of strategic revenue management, as described by Tranter et al. (2009, 191). These steps are following:

1. Customer Knowledge
2. Market Segmentation
3. Internal Assessment
4. Competitive Analysis
5. Demand Forecasting
6. Channel Analysis and Selection
7. Dynamic Value-Based pricing
8. Channel and Inventory Management

Since the purpose of this thesis is not to take stand which pricing method a company should use, the seventh step will be referred only as Pricing. Furthermore, although Tranter et al. (2009, 191) define the eighth step in revenue management process as Channel and Inventory Management, in order to distinguish channel and inventory (capacity) management, this subchapter refers only to capacity management.

On the other hand, Kimes & McGuire (2001) as well as Corr (2013) describe the RM process in meetings and events slightly differently (Attachment 2). Yet when comparing those two process descriptions, almost the same steps can be found in both descriptions, as illustrated in Attachment 2.

As mentioned already earlier, the RM process introduced above by Tranter et al. (2009, 191) is used to build the literature review in this thesis. From those process steps customer knowledge, market segmentation, competitive analysis and channel analysis and selection are somewhat identical steps in hotel and airline RM compared to the M&E revenue management. Secondly, those steps hardly affect the buying process of a customer. Therefore those steps are introduced in this chapter but not investigated in much detail. On the contrary, more differences can be found in the following areas of RM: internal assesment, demand forecasting, pricing and capacity management. Especially the decision made regarding pricing and capacity management have the most significant impact in the customer point of view. Therefore those differences are explained in more depth in chapter 3.

As Attachment 2 indicates, the RM process description by Kimes & McGuire (2001) as well as Corr (2013) includes also strategy implementation and success monitoring as final steps. In fact, it has been stated that implementation is the most difficult part of revenue management process. RM implementation requires thorough training for personnel, commitment from top management and IT systems which enable in depth data for monitoring the success. (Kimes & McGuire 2001.) Secondly, especially the hotel industry is conservative, meaning there will always be resistance towards any chages, which increases the complexity of RM implementation in the M&E sector (Talonen, J. 28 Oct 2013). This thesis, however, will not focus on the implementation and evaluation of RM process and thus neither implementation nor success monitoring steps are discussed in this thesis.

2.2 Customer knowledge

The key to successful business is to know the value which customers get by purchasing a certain product or service. It is also crucial to know what a company's customers want, how they want it and when they want it. Knowing the customer needs, wants and desires enables the company to create products and services that satisfy those needs and gives a company competitive advantage. (Tranter et al. 2009, 27-28.) Also, Yeoman and McMahon-Beattie (2011, 9) underline the importance of knowing one's

customers, how much they are willing to pay, when they will purchase and which channels they will use. When it comes to the M&E sector, exactly the same aspects are mentioned also in the context of M&E revenue management; what is the customer mix, who is bringing the volume and who is bringing the value, when do the customers have their meetings as well as what are one's customers willing to pay (Talonen, J. 28 Oct 2013).

Fortunately, or maybe unfortunately, with the advancement in technology it is possible to gain large amounts of data concerning customer behavior, i.e. their booking patterns (Dyché 2002, 124-125). This data can be used for several types of analyzes, e.g.:

- Customer propensity-to-buy analysis (which products a certain customer is likely to purchase)
- Next successive purchase analysis (which product is the customer likely to purchase next)
- Market basket analysis (which products or services customers purchase simultaneously)

(Dyché 2002, 33.)

2.3 Market segmentation

Market segmentation refers to the process of subdividing the market into customer groups based on their behavior or needs. The fundamental purpose of market segmentation is to improve the understanding of customers, their nature and their needs, which eventually can lead to better customer satisfaction, competitive advantage and greater profits. (Zhang 2011, 137.) Also in the M&E revenue management, segmentation is an important step. It is highly important to track company's various customer segments (who is using the function space), the utilization of space for each segments in addition to related profits (IDeaS 2013). Moreover, demand and booking patterns for different market segments by month, day and day-part should be analyzed as well (Kimes & McGuire 2001).

The Finnish M&E markets are relatively small and therefore companies should be analyzed based on their needs (Talonen, J. 28 Oct 2013). Information about the lead

time and amount of business from the most important market segments helps companies to forecast when and how much demand there will be from those segments and when to release the space for other segments (Kimes & McGuire 2001). In other words, major market segments, e.g. marketing and financial firms in Finland, have different yearly booking and demand cycles. Discovering those cycles could help a company to recognize the periods of lower demand and offer those periods to other segments at a discounted rate. Small and medium enterprises as well as associations might be flexible with the timings of their meetings and thus could benefit from the lower prices offered on off-peak times. (Talonen, J. 28 Oct 2013.)

There are several ways to segment guests; yet purpose of travel and demographic characteristics are still most commonly used means of segmentation in hospitality industry (Tranter et al. 2009, 42). Bodea and Ferguson (2014, 2) categorize this practice as customer segmentation.

On the other hand, segmentation can also be product based (Bodea & Ferguson 2014, 2). easyJet is an excellent example from the airline industry proving that very limited segmentation, based only on timings and routes, can be effective as well. Hence easyJet divides its customers to business and non-business customers. Although these segments seem to be based on customer characteristics, they are actually related more on the destination and timing of the take-off than customer himself. (Barlow 2004, 14.)

Taking hotel market segmentation little bit further, several RM professionals state that segmentation should be based more on *total customer worth* (e.g. von Martens & Hilbert 2011; Tranter et al. 2009, 51; Kimes & McGuire 2001) or *Recency, Frequency, Monetary Value* modeling (RFM) (Talonen, J. 11 Sep 2013). If bookings are accepted in accordance to the booking period, it is possible that a company accepts lower worth or unprofitable requests, when it could have higher worth customer for the same time period booking later. Assessing total customer worth e.g. in hotels should occur when determining which group to accept. Meaning, the following aspects should be taken into account: ancillary revenue, length-of-stay, use of function space and actual rooms booked compared to rooms blocked (Milla & Shoemaker 2008). In fact, especially in Asia ancillary revenue for certain guests can be higher than room revenue, in which

case it is actually no longer ancillary revenue. It has thus become the primary revenue stream. (Cross et al. 2009.)

Recency, frequency, monetary value model incorporates the time of customer's last purchase (recency), how often a customer has purchased within a certain period of time (frequency) and what is the average worth of those purchases (monetary). In the simplest model of RFM customers are categorised into five different cells or groups based on each of these variables, which results in $5 \times 5 \times 5 = 125$ different cells. However, RFM model has several disadvantages, e.g. it is a poor indicator of true underlying behavior and it predicts behavior for the next period of time only. Still, despite the disadvantages, it is relatively easy to implement, which is why it will remain in practice. (Gupta et al. 2006.) RFM model is also suggested as the mean of customer segmentation in the Finnish meeting and event sector (Talonen, J. 28 Oct 2013).

2.4 Competitive analysis

In current technologically saturated environment it is incredibly easy for companies to shop the rates for their competitors online. There are tools that do it automatically, like RateVIEW and MarketVision (products of Travelclick) in hotel industry. However, hotels can use these tools so much more wisely than to "race for the bottom". Information about competitors' prices can help companies to position themselves in regards to the competitive set (positioning map). Furthermore, this data helps companies to analyze their competitors' pricing strategy, price sensitivity and channel strategy. (Cross et al. 2009.)

While RateVIEW and MarketVision are more forward-looking tools (Niemi, N. 19 Feb 2014), STAR reports are the most commonly used source of data to benchmark hotel's past performance against competitors. STAR report provides information about hotels occupancy, ADR, RevPAR and market share against the competitive set in a confidential manner. (Hayes & Miller 2011, 319.)

When competitive analysis is considered in meetings and events, Orkin (2003) recognizes that in meeting and event industry availability of alternatives from

competitors has a more significant impact on meeting space demand than for hotel rooms, where there is a lot of supply. Additionally, although Corr (2013) claims that benchmarking one's M&E performance against competitors can be difficult, for example Benchmarking Alliance already provides comparison tools also for the M&E companies in Helsinki. The comparison, however, is still challenging since standardized performance metrics in the M&E sector do not exist yet. (hmmh consulting Oy 2014.)

2.5 Channel analysis and selection

Channel management is a highly complex issue in revenue management, since there are several aspects to consider (Hayes & Miller 2011, 260-262). The base for channel selection should lie in market segmentation: who are one's customers, who are one's most profitable customers, which new customer segments does one want to attract and through which channel are those customers reachable (Niemi, N. 19 Feb 2014). Hotel revenue managers for example have large variety of distribution channels available, such as global distribution systems (GDS), online travel agencies (OTAs), central reservation systems (CRS), calling the hotel directly, company's own webpage (Brand.com) and travel wholesalers (Freed 2013; Hayes & Miller 2011, 262-289). Brand.com as well as OTAs are growing rapidly in terms of rooms booked through those channels whilst the number of guests calling the hotel directly or booking through travel agents is declining (Freed 2013).

Almost all hotels are dependent on different distribution channels although some of the channels have extremely high selling costs. Therefore net ADR (ADR minus the selling cost) for each channel should be carefully analyzed in addition with the number of rooms sold per each channel. (Hayes & Miller 2011, 265-267.) Since most guests have learned to look for the cheapest rate through various channels, hotels are in a constant battle for the guests, especially with OTAs (Freed 2013). Hotels should actively seek ways to direct guests to hotel's own web page or other web pages, which sell the hotel room at the price that actually reflects its true value (Hayes & Miller 2011, 299).

Similar to hotel revenue management, the information about different M&E spaces should be available in different channels and part of RM process is to decide which channels to use. (Corr 2013.) A variety of meeting and event booking channels exist already. The list is, however, not as comprehensive as in hotel industry. The simplest internet channels list only possible meeting venues in a certain area and allow the user to submit an inquiry to several places at once (Sofokus Oy). The most advanced web based booking systems show the price and allow the user to book a room and meals as well as request A/V equipment and submit payment information (Marriott International, Inc. 2014a). Furthermore, meeting venues are sometimes presented in webpages which only list the possibilities without any possibility for bookings or inquiries, such as Finland Convention Bureau (VisitFinland.com 2012). However, in those webpages it is difficult to know who has the responsibility to update the information. Meaning, the information can be easily obsolete.

3 Distinctive steps in the meeting and event sector

Compared to the RM steps introduced above, some RM steps in the M&E sector have rather unique characteristics. Therefore these steps are discussed in more detail in this chapter.

3.1 Internal assessment

Internal assessment should help a company to recognize its core competencies. Meaning what gives it competitive advantage and how does it distinguish from its competitors? For example widely used SWOT analysis can be used to find out these competencies. (Tranter et al. 2009, 64-66.) SWOT analysis is used to evaluate a company by analyzing its internal strengths and weaknesses as well as external opportunities and threats (Kotler, Bowen, & Makens 2010, 71). After all, the importance of understanding customers' perception of product or service value and aligning price, channel and availability correctly is highlighted by RM professionals over and over again (Cross et al. 2009).

Internal assessment should also include analysis of key performance indicators (KPI's). When deciding which indicators to use for profitability measurement, a company must assess which are the most relevant metrics for them and where they will obtain the information from. (Corr 2013.) In hotel industry widely used indicators are ADR and occupancy. Increase in ADR is an easy function in hotel industry; however, especially significant increase in price will most likely result in declining occupancy rate and vice versa. Therefore, both of these metrics should be analyzed simultaneously by using RevPAR. (Hayes & Miller 2011, 20; van Meerendonk 2012.)

One of the most important performance metrics also in the M&E sector is occupancy, or in other words, space utilization. When calculating occupancy, most companies define meeting duration by whole day. Literature suggests, however, that companies should divide the day into hours or at least to two or three day parts, e.g. morning, afternoon and evening parts. After redefining the duration, companies can track their function space occupancy more accurately by calculating the occupancy rates for certain day parts. (Kimes & McGuire 2001; Corr 2013.)

Furthermore, some hotel managers already prefer using GOPPAR (Gross operating profit per available room) to measure their performance which is far better indicator than sole revenue (Hood, S. 19 Mar 2014). GOPPAR takes into account all the different expenses to sell the room, which managers can be held accountable for (Hayes & Miller 2011, 314). Changing the shift in thinking from revenue generation towards profit contribution is equally important step in the M&E revenue management as it is also in hotel RM (IDeaS 2013). Therefore it is recommended to analyze also the following performance indicators: ProPAST (profit per available space-time) and ProPOST (profit per occupied space-time) for each space and, if applicable, to the function space as a whole (Corr 2013). Other possible indicators for measurement would be Gross Operating Profit per available m² (Kimes 2011) or Gross Operating Profit per Customer (hmmh consulting Oy 2014).

Guidelines to calculate key performance indicators (KPI's) for function space reporting purposes (Corr 2013):

- Function Space Utilization, which can be compared to hotel room occupancy.

– Utilization =

$$\frac{\text{Total space occupied (m}^2\text{)}}{\text{Total available function space}}$$

- Profit per Available Space / Time, which is similar to hotel RevPAR.

– ProPAST =

$$\frac{\text{Total profit per day part}}{\text{Total available function space}}$$

- Profit per Occupied Space, which refers to ADR in hotels

– ProPOST =

$$\frac{\text{Total profit per day part}}{\text{Total occupied function space}}$$

Thirdly, internal assessment should include an analysis of causes for (low) past performance, such as labor availability, sales incentives, incomplete data and prior bookings (Kimes & McGuire 2001). Low past performance might also result from pricing not correlating with demand or unefficient use of space, e.g. long turnaround times (IDeaS 2013). Additionally, conversion rate, meaning how many inquiries turn into actual

bookings, and space wash, which refers to the amount of space that can be systematically reduced from initial bookings, should be analyzed as well (Corr 2013).

3.2 Demand forecasting

Demand can be defined as “the amount of product or service that a purchaser is willing and able to buy at any given price at any given time” (Tranter et al. 2009, 89). Since the willingness and ability to purchase, however, may vary significantly, customers’ probability to purchase combines them both. Additionally, demand forecasting refers to the practice of “estimating, calculating and predicting customer demand for products and services in the future”. (Tranter et al. 2009, 89-92.)

Demand forecasting is an extremely important component in any firms planning process (McGill & van Ryzin 1999; Cross et al. 2009). Also van Meerendonk (2012) highlights that important part of revenue manager’s role is to quantify and analyze purchase behavior of customers and forecast future demand accurately. In regards to demand forecasting, it is important to understand the demand for different price points and set prices correctly. (van Meerendonk 2012.)

Several authors (e.g. Bodea & Ferguson 2014, 99; Guo, Xiao & Li 2012; Zeni 2007) argue that demand can rarely be accurately predicted from the historical data due to errors in past predictions. Incorrect historical demand data easily leads to incorrect inventory allocation and result in a downward spiral with future allocations. Also Kimes & McGuire (2001) recognize that this might be true if no automated system is available to track the unconstrained demand data. In RM context unconstrained data refers to the number of products or services, e.g. airline seats which could be sold with unlimited supply and without any restrictions (Bodea & Ferguson 2014, 99). Several mathematical models to calculate unconstrained demand in hotel and airline industries have been developed and a wide range of examples for those can be found e.g. in Bodea & Ferguson (2014, 99-133) and Guo et al. (2012).

In restaurant industry an Excel-table indicating the hours of high demand and low demand is a simple example illustrating how a restaurant can easily control demand on

different times. Already this type of information helps the restaurant to optimize its operations correctly. During forecasted low demand periods a company, e.g. a restaurant should focus on creating demand by offering early-bird offers and upselling. (Tranter et al. 2009, 90.) During the indicated peak hours the restaurant should reduce the availability of discounts and focus on decreasing the meal times in order to increase the number of people served (Kimes et al. 1999).

Also in the M&E revenue management demand forecasting is the first step and demand calendars are the key. When creating demand calendars in meeting and event sector, at least following information should be included in detail: day parts, function rooms, event type and forecast levels. (Corr 2013.) The function of any demand calendar is to introduce easy guidelines to the sales team on which meeting or event to accept and how to price the meeting or event (Dombey 2013).

Secondly, similarly to hotel and airline industries, unconstrained demand should be analyzed in the M&E sector as well since prior bookings might result in turning away a profitable meeting request. Therefore information about down turned requests should also be captured in the system in order to analyze the demand more accurately in the future. (IDeaS 2013; Corr 2013.) Thirdly, a displacement analysis needs to be conducted. When assessing which group to accept, function space managers must assess the expected amount of function space needed, group size and length of stay as well as the expected sales from food and beverage. (Corr 2013; Orkin 2003; Kimes & McGuire 2001.) Moreover, a forecasting tool for meeting space should also take into consideration the displacement of transient guest rooms when a meeting booking includes room nights (Orkin 2003).

When the demand is forecasted, it can also be managed. Following Tranter's (2009, 89) definition about demand introduced earlier, demand management refers to the "act of controlling, directing, influencing and creating" customers' probability to purchase a certain product or service at a specific point in time. (Tranter et al. 2009, 89-90.)

Influencing and creating customer demand can be achieved for example by tracking down current trends and creating new products and services accordingly (Tranter et al.

2009, 91). Additionally, a company can utilize marketing efforts, such as advertising, placement and promotions to create demand (Bodea & Ferguson 2014, 47).

In meetings and events demand management refers also to demand creation and directing. This is enabled by detailed information about customer segments, their lead times and booking behavior, which could help hotels to customize offerings and use proactive personal selling to create and direct demand for lower-demand periods. Are some of the customer segments booking at middle-of-the-week patterns? Do some segments fill the shoulder periods in the beginning or at the end of the week? Are some customer segments more price conscious? (IDeaS 2013.)

3.3 Pricing

Tranter et al. (2009, 191) define the seventh step of RM process as dynamic value-based pricing. Also Hayes and Miller (2011, 93) state that “the true value of a product or service is equal to what a buyer will willingly pay for it”, which is why companies should always apply value-based pricing. However, this subchapter does not focus purely on value-based pricing.

One of the most commonly used pricing methods is still cost-based pricing with the desired mark-up percentage. Prices can also be based on competitors' prices (market-based pricing) (Phillips 2005, 23-24) or estimated demand (demand-based pricing) (Hayes & Miller 2011, 194-198). When it comes to value-based pricing, Macdivitt and Wilkinson (2012, 19) highlight the importance of understanding what is the differential value that a company's product or service creates for the customer (Figure 1) and then charge for that distinctive value. It should be noted, however, that all of the terms mean different things in different situations and secondly, no company uses purely one method to set their prices. A pricing decision is always to some extent a combination of these methods. (Phillips 2005, 23-26.)

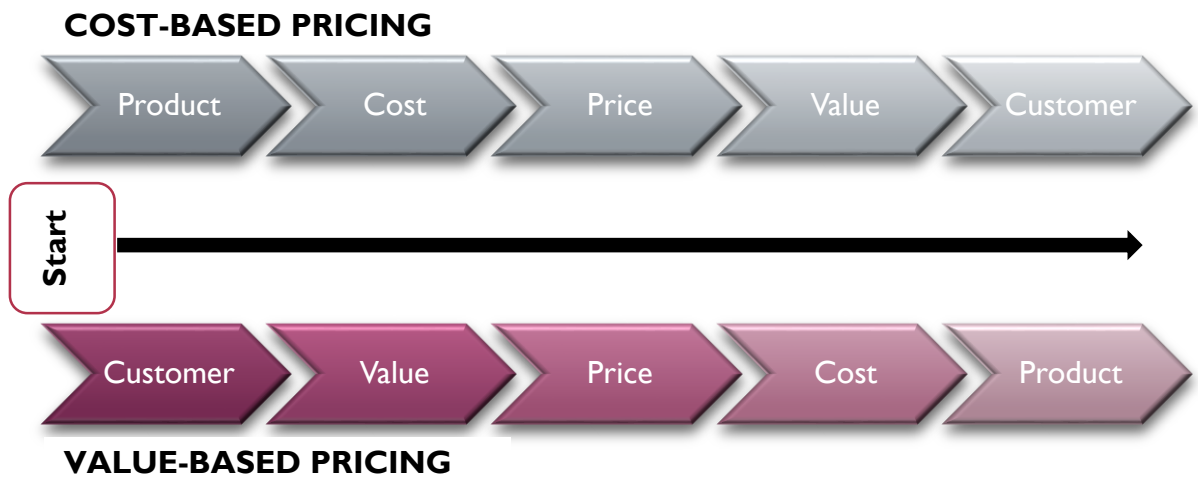


Figure 1. Comparison between the focus in cost-based pricing and value-based pricing (Adopted from Launch Engineering).

B2B pricing differentiates for B2C pricing in number of transactions and the total revenue each transaction creates. That is why it has to be analyzed differently. Value-based pricing in B2B sales situations is also more complicated, since B2B sales almost always require personal negotiations. Furthermore, it has been stated that value-based pricing works better in B2C context, where the buyer is also the end user. The reason being, that in those transactions the purchase decision is more subjective. Meaning, the purchase decision is based more on product appearance, brand recognition and feelings whereas in B2B transactions the buying company focuses on the value which the purchase creates for its value chain. (Farres 2012.) In other words, value drivers in B2C situations are likely to be intangible and emotional whereas in B2B situations are more economical in nature. In fact, where emotional contribution has only a minor influence in B2B transactions, it is dominant in B2C transactions. (Macdivitt and Wilkinson 2012, 15-17.)

Von Martens and Hilbert (2011) introduce slightly different concepts, namely *cost-based revenue management* and *customer-worth-based revenue management*. Cost-based revenue management is approach to revenue management, where only the [monetary] worth of current booking is considered when determining whether to accept a certain booking or not. This might result in declining a booking from low current worth but high future worth guest. Customer-worth-based revenue management, on the other hand, takes into consideration both current and future worth as well as direct and indirect revenue.

According to, customer-worth-based revenue management can be defined as “an approach to capacity control that enables the incorporation of customer worth into booking control and pricing in order to make the limited capacity available for the most valuable customers” (von Martens & Hilbert 2011). The authors also introduce a framework how to apply customer-value based revenue management into hospitality industry.

Pricing in the M&E sector

A case study from Singapore indicates that the most benefits related to function space revenue management can be obtained from differential pricing (Kimes & McGuire 2001). Same suggestion gives also Corr (2013), who states that in an ideal world dynamic pricing approach would be the most beneficial. However, he also recognizes the complexity of the M&E revenue management, which is why even demand based pricing or seasonal pricing are worth striving for. (Corr 2013.) One reason for the complexity of meeting and event revenue management are the different sources of revenue, e.g. room rent, food and beverage and hotel rooms. High function space revenue alone might be unprofitable if the meeting guests pay very low room rates displacing high paying transient guests. (Kimes and McGuire 2001.) Furthermore, when it comes to the Finnish M&E markets Talonen, J. (28 Oct 2013) sees that although there is potential for it, achieving good results from dynamic pricing is highly difficult because of the current market situation.

Rate fences

Each hotel normally has one published rate, referred as rack rate, for each room type (Talluri & van Ryzin 2004, 525). Differential pricing occurs when, based e.g. on location of the seller, guests pay different price for the same hotel room according to their willingness to pay. “Price differentiation refers to the practice of a seller charging different prices to different customers, either for exactly the same good or for slightly different versions of the same good” (Phillips 2005, 74). Some higher paying customers, however, might feel tempted to switch to lower paying segments. Rate fences are tools to prevent demand spillover between different market segments by making it difficult and time consuming for a customer to migrate from one segment to another.

(Zhang 2011, 136.) Examples of different forms of rate fences are illustrated in Attachment 3.

Bundling

One form of utilizing available customer information is bundling. Nowadays the pressure of time is more extreme than ever before and that has led consumers to seek products and services that save their time. In hospitality industry bundling refers to the practice to package certain travel products together and offer them at one price so that the customer does not see the individual prices. However, nowadays bundling means much more than flight ticket, accommodation and rental car package; customers are offered combination of services based on each one's individual desires at a certain moment. (Tranter et al. 2009, 31.) Bundling is also one way to utilize consumer surplus, that occurs when customers values a product or service higher than the actual price and thus would be willing to pay more for it (Hayes & Miller 2011, 97).

On the other hand, a study from video game market shows that bundling is the most effective practice when at the same time the same products are provided also individually. This results from the fact that if the customers are not offered the possibility to choose either to purchase the bundle or individual products, customers might refuse to purchase at all and wait for a better deal. Furthermore, even greater sales could occur if the customers were offered the option to choose their own bundle, e.g. game console and the game they prefer instead of pre-set console-game combination. (Gerdeman 2012.)

In conference pricing a research conducted by Dolce International showed that most of their customers prefer to pay one price per person (bundle) including all the fees for meals, room rent, technical equipment et cetera. Those who are familiar with meeting pricing easily see the advantage of booking the whole package at once. However, it should not be only pricing strategy since some of their new customers are not used to it and are afraid of possible hidden costs. (Dolce & Dolce 2005.)

All in all, Libermann (2011) highlights the importance of letting the customer choose. Customers should not be forced to purchase the product in a way that best suits the

provider's needs. He states, in fact, that the art of combining options for different customers according to their valuations and WTP in a way that maximizes revenue and profit for the company is the key to successful revenue management.

Price sensitivity

Price sensitivity can be measured as *elasticity of demand in regards to price*. In hotel business, customers' price sensitivity varies largely between different customers and customer segments. Guests, who book well in advance, have been shown to be more price sensitive than customers who book close to arrival. (Cross et al. 2009.) Another aspect that affects customers' price sensitivity in hotel industry is the party that finally pays for example the room, i.e. guests himself or his company (Macdivitt & Wilkinson 2012, 13). Thirdly, the day of the week affects the sensitivity and fourthly, availability of alternatives has a great impact to the already complex issue of price sensitivity. Therefore, any measurement of price sensitivity should be conducted at a specific location at a particular point of time to get correct results. (Cross et al. 2009.)

3.4 Capacity management

Capacity management is "the process of allocating and modifying the number of products available for sale at various prices and through various distribution channels" (Hayes and Miller 2011, 210). In hotels capacity management process includes allocating different room types, room rates and rate fences within various distribution channels. Thus it is controlling product availability and its non-availability. (Hayes and Miller 2011, 210.) Similarly, Bodea and Ferguson (2014, 84) define capacity management as the act of deciding how many hotel rooms (or airline seats, rental cars, etc.) to allow to be purchased by the lower WTP customer segments when higher WTP customer demand is possible in the future.

Compared to hotel capacity management, M&E capacity management is a more complex issue, since the product in one meeting room can be totally different based on the number of people and seating, package options and if the provider is able to create content to the meeting. Secondly, meeting rooms can be used also for other purposes

that meetings only, e.g. weddings et cetera, where also the customer base is totally different. (Talonen, J. 28 Oct 2013.)

On a strategic level of capacity management, the knowledge of demand for different types of capacity options is the key (Kimes and Renaghan 2011, 21-23). In hotel capacity management decisions deal for example with what kind of room types a hotel should have to best response the customer needs (Niemi, N. 19 Feb 2014). An upper class hotel might have several different room types, for example standard, business and deluxe rooms as well as suites. These room types can also be divided into different categories according to bed type (double or twin) and smoking preference (smoking or non-smoking). (Talluri & van Ryzin 2004, 525.) In general, space ambience, including surrounding, design and social elements, can have a huge impact on how customers perceive the service encounter, how long time they are willing to stay in a certain place and how much money they spend (Underhill 1999, in Kimes and Renaghan 2011, 24).

Part of capacity management is the management of meeting and event bookings compared to the function itself, meaning how long time do the set-up and teardown periods occupy the room (Corr 2013). By reducing the turnaround times function space managers could make sure that they are not forced to turn down business because of the long turnaround periods. In addition, the extra labor costs would be well covered with the additional revenue from the incremental event (Kimes and McGuire 2001.)

A study by Orkin (2003) suggests that conference hotels could optimize their function space availability for example by allowing the function space to “be committed in a prescribed ratio of y square feet per guest room sold”. On the other hand, although this kind of rules may prevent unprofitable decisions, they should be only guidelines, since some valuable opportunities may not be coherent with these rules. Furthermore, it has been stated, that automated reshuffling of meeting space allocations will be a significant component of future revenue management in hotels. The reason being that the booking in one smaller unit of a large combinable function space will affect future sales tremendously. (Orkin 2003.)

Overbooking is one of the key capacity management strategies used in hotels and airlines. Sometimes overbooking might occur unintentionally but most revenue managers allow intentional overbooking, since they can estimate rather accurately how many cancellations and early departures the hotel will face. Even with the best forecasts, however, the future cannot be predicted with 100 % certainty. Therefore a hotel needs to take into consideration the possible costs of sending the guest to another hotel in a situation when the hotel ends up with more reservations than rooms available. Furthermore, the hotel needs to assess whether it can afford the possible implications to guest satisfaction. (Hayes & Miller 2011, 230.) In some cases overbooking might be suitable also in the M&E sector. The determining factors are e.g. how the days are divided, in hours or day parts, and how the customer segments behave. When the patterns are detected, in some cases a company might be able to take the risk. (Talonen, J. 28 Oct 2013.)

4 Customer perceptions of revenue management

Integrating revenue management practices without fully assessing its impact on customers' perception on fairness, trust and commitment could be disastrous. Therefore discussion about customer perceptions is justified. Moreover, Blodgett, Hill & Tax (1997, in Choi & Mattila 2005) point out that perception of fairness has a tremendous impact on post-consumption satisfaction and behavior, i.e. word-of-mouth referrals. This chapter discusses customer perceptions to RM both from B2B as well as B2C point of view.

4.1 Trust and fairness

Few key elements have been discovered that have the largest impact on customers trust towards a company: frequent exposure to the company products or services, company's popularity and care about the customers. Especially customers feeling, that the company cares about them and is on their side can help to build and maintain trust. (McMahon-Beattie, Palmer & Yeoman 2011, 59). In fact, Kahneman, Knetsch & Thaler stated already in 1986, that if a company raises prices because of rise in production costs, it is perceived fair. If the price rise results from customer surplus, however, it is perceived remarkably unfair. (Kahneman et al. 1986.)

There are different opinions among professionals whether revenue management is perceived acceptable by customers or not. Several reasons are recognized why RM might be perceived unfair. As an example, the reference price might be lower than price currently offered or customers might believe that a company is not providing additional value for the higher prices. (Kimes & Wirtz 2003.)

Developments of information technology have made it extremely easy to integrate information about customers last bookings and formulate offerings accordingly. Thus charge different price for possibly same product or service. On the other hand, as easy it is for the company to use differential pricing, it is also easy for customers to exchange experiences and find out the possible price differentiation. (McMahon-Beattie et al. 2011, 64.) Especially social comparison can result in a negative impact on customer perceived fairness if the customer has a higher rate than another guest.

Hence price differentiation, or sometimes in literature used price discrimination can result in negative image of the company and therefore affect customer loyalty. (Choi & Mattila 2003)

On the other hand, some studies suggest that revenue management practices have been perceived relatively fair across different service industries, since customers have already become familiar with differential pricing in airline and hotel industries. When talking about fairness of RM, however, professionals highly emphasize the essence of clear, logical and well understood rate fences. (Choi & Mattila 2005; Kimes & Wirtz 2003.) Furthermore, some studies have shown that it is not RM itself that causes the most mistrust: it is the lack of knowledge customers have of these practices (McMahon-Beattie et al. 2011, 67; Choi & Mattila 2005). Liebermann (2011) states that with consistent and especially transparent pricing process companies can only win in terms of customer satisfaction and revenue gain. After all, the purpose of RM is under no circumstances to make customers' buying process more difficult (Talonien, J. 28 Oct 2013).

In a study conducted by Choi & Mattila (2005) potential customers were offered either full information about the rates and which factors affect them, limited information or no information at all. When full information was given, customers perceived even a higher rate to be fair. In other words, when customers were aware that early bookings and weekend stays resulted in lower rates, they realised that their rate depends on themselves and they can influence the rate. Thus the rate variance was found more acceptable. (Choi & Mattila 2005.)

It has a great impact to the fairness depending how the price is displayed. Price should always be quoted in a way that the customer can perceive himself/herself in gain domain. For example in high demand periods the price should be standard and low demand periods it should be indicated as discounted price so that the customer feels he has gained extra value. (Shoemaker 2003.) Also a study by Kimes and Wirtz (2003) from restaurant industry indicate that people across the world perceive revenue management practices (e.g. fencing) fairer, when they are formed as a discount, i.e. two-for-one coupons and discounted lunch prices compared to dinner prices.

Moreover, Zhang (2011, 138) and Phillips (2005, 81) recognize that practices which are based on self-selection (e.g. time-of-the-day pricing and day-of-the-week pricing) are more acceptable compared to the discounts given based on demographical factors (e.g. student discounts). This results from the fact that a customer can choose himself whether he is willing to save extra money or not by choosing the day or other conditions that suit him the most.

4.2 Integrated revenue management and customer relationship management

Dyché (2002, 4) defines customer relationship management (CRM) as the infrastructure that helps a company to define its most valuable customers, increase the value of those customers and encourage them to remain loyal, meaning to buy again. Strong emphasis in CRM is also on behavior prediction (Dyché 2002, 33). Most importantly, however, CRM is a business strategy that utilizes information technology and customer data to improve business practices in order to differentiate a company “through superior customer relationships” (Dyché 2002, 18). Furthermore, Baran and Galka (2013, 5) identify that CRM includes value creation aspect, which means assessing the products or services that customers value the most as well as defining the most valuable customers for the company in terms of high customer lifetime value.

One form of integrated CRM and RM when dealing with individual hotels guests is *guaranteed availability* for loyal customers or other segments (von Martens & Hilbert 2011; Cross et al. 2009). Marriott International for example offers guaranteed availability for their most loyal customers, Marriott Rewards Platinum Members when the booking is made at latest 48-hours prior to arrival (Marriott International, Inc., 2013). Another form of integrated RM and CRM is *lifetime value-based pricing*, in which the price is set according to lifetime value of a customer rather than according to demand for a certain period of time (Noone, Kimes & Renaghan 2003).

From slightly different perspective, casinos are using combined CRM and RM very successfully these days. They collect information from CRM system, nonroom point-of-sale system and player-tracking card systems in order to create *customized offers* for their best customers. However, it needs to be noted that in casinos the best customer

is not the one who pays the highest room rate; it is the customer who spends the most on gambling. (Cross et al. 2009; Talluri & van Ryzin 2004, 558.)

4.3 Issues related

There are some fundamental conflicts between RM and CRM. Revenue management focuses on increasing company's short term profitability whereas customer relationship management emphasizes the long term worth of a customer. Thus the conflict between these two occurs especially in the time horizon. Therefore the integration of RM and CRM is challenging. (McMahon-Beattie et al. 2011, 63.) Also Baran and Galka (2013, 7) state that the lack of commitment to long-term relationship building is usually the reason why CRM systems fail. Yet it has been identified that balancing short-term profit versus long-term customer relationship development and thus the long-term profit is one of the most critical tasks of today's revenue management (Cross et al. 2009).

Several studies (e.g. Wang 2012; Bowen and Shoemaker 2003) indicate that hotel's opportunistic behavior has in general a negative impact to customer trust and thus to relationship commitment. Opportunistic behavior means in this context e.g. the practice to charge premium prices even from loyal customers on peak times. In short run such practice is profitable for the company but in a long run it has a negative impact on customer loyalty. Therefore revenue management practices should be assessed extremely carefully when applying them to loyal customers. Also Noone et al. (2003) highlight the issue with higher prices for everyone on peak times. Loyal customers might feel discriminated if they pay a higher rate when booking close to arrival compared to the lower rates that possibly unloyal bargain-hunters pay when booking earlier (Cross et al. 2009).

4.4 Revenue management in key account management

In hotels key accounts play an important role since key accounts contribute most of the time significantly to the hotel revenue. Key account management (KAM) can be defined as relational approach to strategically important B2B-customers (McDonald & Rogers 1998, in Wang 2012) or investing into a small number of customers which offer

remarkable return of investment (Cheverton 2008, 30). According to several authors (e.g. Wang 2012; Grönroos 1996), especially in B2B relationships trust and commitment are key factors. “Commitment implies a willingness to make short-term sacrifices in order to gain long-term benefits” (McDonald & Rogers 1998, in Wang 2012).

A study conducted by Wang (2012) is a first comprehensive study that identifies the affects of revenue management in key account relationship development. The results show that key accounts in hotels seem to understand the need for hotels to implement RM. In low seasons RM practices might support the relationship between two parties when a hotel tries to attract key customers to stay by adding more benefits for the most important corporate clients. Furthermore, even if a hotels cannot reduce the rate much, they can still offer other services that suit the customer needs. However, mostly the key account relationship is damaged by revenue management practices since the focus of RM lies too much on short term profits and the customer is often neglected. (Wang 2012.)

Key accounts see that there are three fundamental problems with RM in regards to their relationships with hotels: rate fluctuations, rate unavailability and insufficient handling of key account reservations. Rate fluctuation, or in customers’ words, “opportunistic pricing” occurs when the rates increase unexpectedly on seasons of high demand or when cheaper rates are available online on seasons of low demand. Second issue refers to problems that key accounts face with last-room-available rates, e.g. whether the contract rate is available for one-night stay when 'minimum-stay of two nights' rule has been set to BAR and other rates. Insufficient handling of key account reservation refers i.e. to the penalty fees of late cancellation or early departure. (Wang 2012.)

Furthermore, hotels should never determine strategies used in the context of key account management purely themselves. In negotiations both parties should be involved. By solely dictating the conditions of contract a hotel proves to be extremely organization-driven without taking into consideration the customer perspective.

Customers, i.e. the travel managers of bigger companies, are more knowledgeable than ever. Therefore any inconsistencies in pricing will be questioned. (Wang 2012.)

5 Research methodology and data collection

This chapter introduces the whole research process and justifies the chosen research as well as the data analysis methods. The research is conducted as quantitative research by using conjoint analysis. Secondly, deductive approach to research is used to analyze the data. Since conjoint analysis is rather unknown method within hospitality industry, it will be explained in detail in chapter 5.3.

The research question in this thesis is: To which extent are Kämp Group's meeting and event customers willing to utilize possible outcomes of revenue management as part of their buying process?

To investigate this research topic further, the following sub-research questions were established:

1. Are customers willing to save money by accepting the less favorable terms and conditions of booking or do they prefer consistency in regards to the price over money savings?
2. How much are they willing to pay for certain M&E pricing components?
3. Do the outcomes of revenue management practices affect demand in Kämp Group's meetings?

5.1 Conceptual framework

It should be noted that a complete RM process includes also steps which do not affect the customers and their buying behavior, such as internal assessment and competitive analysis. Therefore this research only focuses on those practices that might affect the buying process from customer point of view, as discussed in chapter 3. Table 1 sums up those practices studied in previous chapters.

Table 1. Summary of RM practices and their outcomes to customers.

Practice	Outcome to customers
Pricing	<ul style="list-style-type: none">– Discounts for loyal customers (Zhang 2011, 144)– Prepayment discounts (Zhang 2011, 144)

	<ul style="list-style-type: none"> – Discounts for early bookings (Kimes & McGuire 2001.) – Higher prices on peak times, e.g. mid-week etc. vs. lower prices on shoulder periods (Kimes & McGuire 2001) – Price difference between beginning and end of the day meetings compared to midday meetings (Zhang 2011, 141-143)
Bundling	<ul style="list-style-type: none"> – Meeting package (Dolce & Dolce 2005.) – Technical equipment and tables/chairs included, meals excluded (Marriott International, Inc. 2014b) – Only room rent, everything else à la carte (technical equipment, catering, tables, chairs) (Dolce & Dolce 2005.)
Capacity management	<ul style="list-style-type: none"> – Length of stay requirements (Corr 2013) – Guaranteed availability for loyal customers (Marriott International, Inc., 2013) – Discounts for repeat customers (Kimes and McGuire 2011) – Differences in change and cancellation policy (Zhang 2011, 140-141)

5.2 Quantitative research

This thesis is conducted as quantitative research, since the purpose is to identify the response to meeting and event RM practices in numbers, rather than explaining the reasons or understanding the behavior more thoroughly. In the latter case qualitative research would have been the appropriate approach. (Brotherton 2008, 133.) Secondly, quantitative research is suitable for cases, in which large number of people is researched (Brotherton 2008, 134). Since the objective in this thesis is to identify the opinions of Kämp Group's customers comprehensively, the survey requires rather large number of responses. Hence it needs to be delivered to a wide range of people and conducting such a large number of personal interviews would not have been possible.

With quantitative research the data analysis is statistical in nature, which is why quantitative data is required (Brotherton 2008, 136). Moreover, quantitative research "aims to

quantify the extent of variation in a phenomenon” and “draw conclusions and inferences that can be generalized” (Kumar 2014, 14). The nature of the research questions requires statistical data, which is why quantitative research is well-grounded. Furthermore, the large data from real life situation helps to gain generalizable data, which suits the purpose of building a general framework with suitable RM practices

5.3 Conjoint analysis

Conjoint analysis differs from more traditional research methods, e.g. questionnaires, by offering potential customers a realistic combination of product or service feature options to choose from. (Sawtooth Software, Inc. 2014a.) Thus it realistically reflects customers’ “decisions as trade-offs among multi-attribute products or services” (Hair Jr., Black, Babin & Anderson 2010, 261). Furthermore, conjoint analysis helps to understand how customers develop preferences for any type of products or services (Hair Jr. et al. 2010, 266) and predicts the probability for a consumer to purchase a specific product (Ferguson, Garrow & Newman 2012). In other words, "conjoint analysis assumes that an individual's liking for a product can be approximated as the sum of “part worths¹” for its separate attribute levels" (Sawtooth Software, Inc. 2014g).

Although conjoint analysis has existed since mid-1970s, the advanced technology has enabled the wider and faster use of the method. Computer programs, such as Sawtooth Software or Qualtrics, integrate the whole process starting from creating the variable choice tasks to simulating and predicting customer choices across the large variety of alternative product and service combinations. (Hair Jr. et al. 2010, 261-262.)

Nowadays, there are several types of conjoint analyzes existing, e.g. Choice-Based Conjoint (CBC), Adaptive Conjoint Analysis (ACA) and Menu-Based Choice (Sawtooth Software, Inc. 2014a). In addition, Max-Diff analysis is sometimes used instead of conjoint analysis and it can be conducted with same programs (Sawtooth Software, Inc. 2014b). Differences between the above mentioned methods are introduced in Attachment 4. For this thesis Choice-Based Conjoint with Advanced Design Module was chosen.

¹ Part worth and other conjoint related terms are explained in Attachment 1.

5.4 Deductive approach

The starting point for deductive approach to research lies in existing literature which the researcher utilizes to form a hypothesis. After formulation this hypothesis will be tested in the research. Deductive approach to research is highly structured and constrained in order to make sure that the hypothesis tested is a logical consequence of the theory. Therefore, the design of data collection as well as analysis procedures and instruments need to be thoroughly planned in order to provide only the data which is required for the specific purpose. (Brotherton 2008, 18-19.)

Deductive approach was chosen for this thesis, since revenue management is clearly an existing theory and practice, of which applicability will be tested on new customer segment: M&E customers. Some literature also exists specifically about the M&E revenue management, which is why this thesis does not try to create a new theory, as inductive approach would do. The nature of deductive approach also leads to the situation in which the theory is confirmed, slightly modified based on the evidence or, in some cases, entirely replaced by new theory. (Brotherton 2008, 19.) In practice this thesis aims to find support for the existing theory of RM practices or in turn, find points of modification to the existing practices to make RM more suitable to the M&E sector.

5.5 Justification of the research method

Although revenue management is familiar to nearly everyone from hotel, airline or train bookings, those situations occur more in one's personal life and in situations, where there might not be alternatives. In meeting and event sector, however, changing prices and conditions are not common practice and, as discussed in chapter 4, B2B sales differs significantly from B2C sales. Additionally, changing prices is a practice which might evoke feelings of unfairness among customers and therefore a company needs to be extremely careful when communicating those to customers. With conjoint survey it is possible to present the situations to customers so that they see the whole picture. With traditional questionnaires the respondents might focus more on individual practices and how they feel about those practices, such as price changes according to demand.

Conducting traditional questionnaire survey among Kämp Group's customers would have been an alternative data collection method. However, as Brotherton (2008, 112) states, there are some problems related to those questionnaires. Respondents can only answer questions asked from them and in a form given in the questionnaire. Secondly, they might easily give answers which do not reflect their true feelings and beliefs but rather their thoughts what should be the right answer. (Brotherton 2008, 112.) When answering a conjoint survey, respondents are given realistic situations to choose from, which gives the researcher opportunity to analyze their true behavior.

From the different conjoint models, Choose-Based Conjoint was selected for few reasons. First of all, Menu-Based Choose Model does not suit this survey, since although customers can choose from different options, e.g. method of payment, the aim of this thesis is not to build optimal selection of items on the menu and in the packages. Max-Diff analysis, on the other hand, does not provide any correlation to price, which is why it was not chosen. Secondly, although Adaptive Conjoint Analysis would have been most suitable from the different conjoint forms in terms of data accuracy, it would require expertise far beyond authors knowledge and timely resources. Finally, CBC Advanced Design Module was chosen to be used, since there was a fundamental problem with price-meeting package combinations. As Figure 2. (p. 35) displays, there are different kind of meeting packages available in different price categories. If no prohibitions would have been set, the price-meeting package combination alone would have been determinant for the selection between different options and utility scores for other attributes would have been difficult to research.

5.6 Data collection

SSI Web from Sawtooth Software was chosen as the software to create the survey, since it is only conjoint software provided by HAAGA-HELIA University of Applied Sciences. For the conjoint survey a list of attributes tested was created based on the literature review (Figure 2.). The levels for each attribute were created based on Table 1 and in cooperation with Kämp Group's sales manager as well as the supervisor of this thesis.

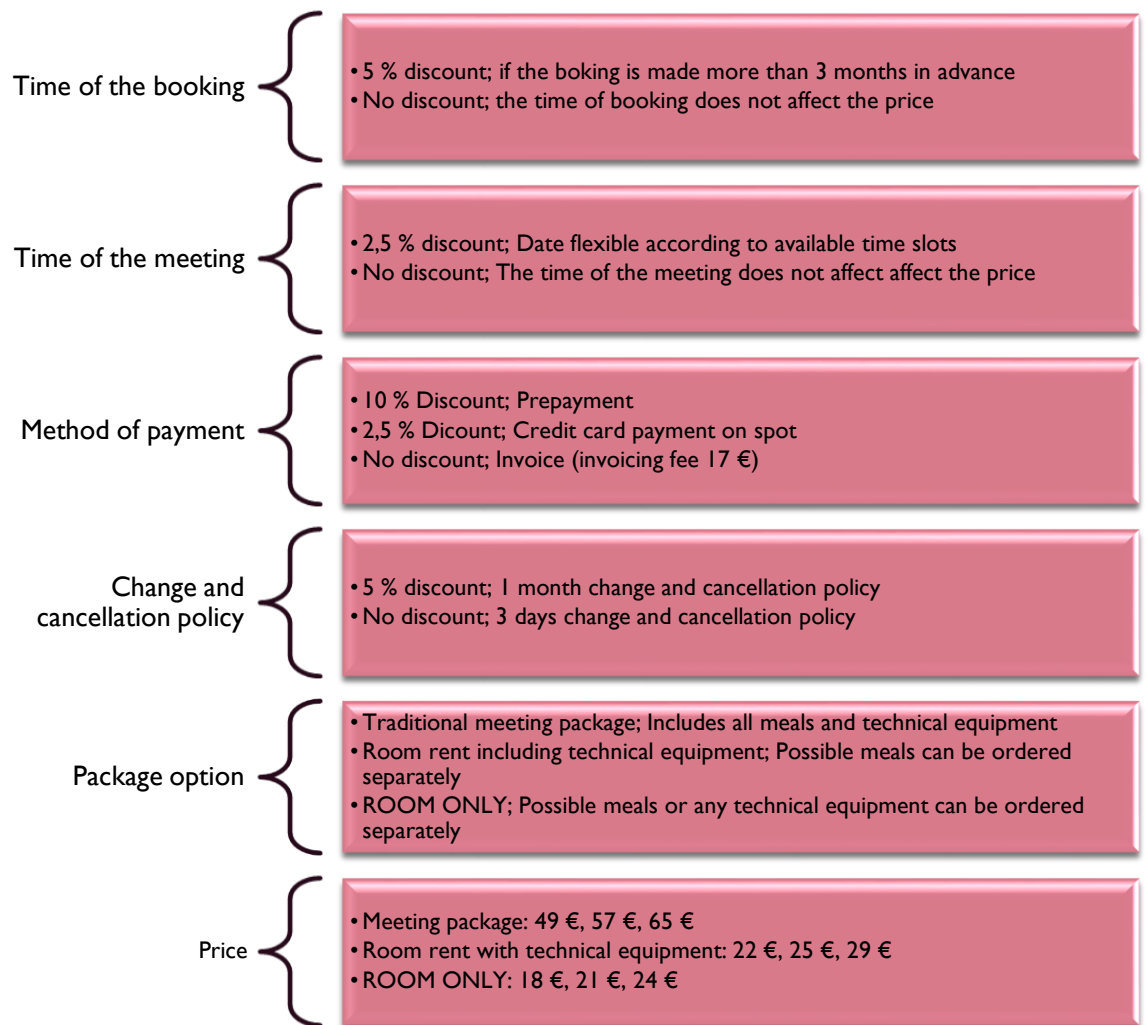


Figure 2. Selected attributes and individual attribute levels for the conjoint survey.

In the original formulation of questions, price levels are set as low, medium and high price. Since there are three alternative package options, however, three alternative price ranges are also defined, as presented in Figure 2. In the actual survey only the numerical prices are displayed in conjunction with the respective package option. This was enabled by the utilization of the Advanced Design Module for Choice Based Conjoint. In the analysis part, if different package options are handled simultaneously, low, medium or high price can be discussed. Individual price are shown only for one package option at time.

The survey was tested with number of people, including four sales or revenue managers at Kämp Group, four staff members from HAAGA-HELIA University of Applied sciences and one fellow student. After testing the survey with test respondents, it was

discovered that it is not possible to have more than 5 attributes within the conjoint questions. Otherwise the survey would have been too large complex for the respondents to conceive as whole. Therefore the current attributes were chosen and e.g. length-of-stay control and loyalty aspects were left out. Furthermore, SSI Web enables to estimate the standard errors for the questions formulated. Standard error number should be below 0.05 in the design phase and for all questions in this thesis the standard errors were between 0.02 and 0.03. Complete survey can be found as Attachment 5.

Since the commissioning party in this thesis is Kämp Group, the data was collected only from Kämp Group's M&E customers by convenience sampling (Brotherton 2008, 171-172). The survey was sent to 2769 meeting customers who had agreed to receive marketing material from Kämp Group and it was sent on week 25 in a form of email newsletter with foreword and link to the survey (Attachment 6). The closing date for the survey was not set nor did the letter specify it. The target was to keep the survey open as long as it required to receive at least 70 responses. Since one newsletter email did not result in enough responses, personal requests were sent to 11 customers, who the author or one of the sales managers had contact with regarding M&E reservations during weeks 30 and 31. During week 32 a reminder email to the same mailing list was sent with a closing date of August 7th.

In the actual survey respondents were shown 10 different random conjoint tasks (Figure 3). Studies actually show that even 20 tasks could be presented to each respondent without affecting the validity (Sawtooth Software, Inc. 2014g). However, since the survey seemed to be already rather complex, it was decided to keep the individual tasks to minimum. Each task includes three different 'full profiles' (Options 1, 2 and 3) as well as 'none'-option. Sawtooth Software instructions recommend to offer 3 to 5 profiles. Again, for the purpose of keeping the survey simple, only three profiles were offered in addition to the 'none'-option. The none-option offers respondents possibility to not decide between different profiles if they feel none of the options is suitable.

► Consider that you are in the process of booking a whole day meeting for 20 people with breakfast, lunch and afternoon coffee. You have chosen GLO Meets, located in GLO Hotel Kluuvi, as one of your options. If these were your only options in GLO Meets, which one would you choose?

Possible loyalty discounts do not apply in these scenarios.

The price shown at the bottom is the starting price from which the indicated discounts are given (not the discount itself).

Choose by clicking one of the options below:

	Option 1	Option 2	Option 3	Option 4
Time of the booking	No discount The time of booking does not affect the price	5 % discount If booking is made more than 3 months in advance	No discount The time of booking does not affect the price	NONE: I wouldn't choose any of these.
Time of the meeting	No discount The time of the meeting does not affect the price	No discount The time of the meeting does not affect the price	No discount The time of the meeting does not affect the price	
Method of payment	10 % discount Prepayment	2,5 % discount Credit card payment on spot	No discount Invoice (invoicing fee 17€)	
Change and cancellation policy	No discount 3 days change and cancellation policy	No discount 3 days change and cancellation policy	5 % discount 1 month change and cancellation policy	
Package option	Room rent including technical equipment	Room rent including technical equipment	Traditional meeting package <small>Includes all meals and technical equipment</small>	
Price per person	22€	29€	57€	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Place your mouse above the given options for more information.

Figure 3. An example of one random conjoint task page in the survey.

After the actual conjoint tasks respondents were asked 4 non-conjoint questions. The purpose of non-conjoint questions is to research the background of respondents. Meaning, they are used to segment the customers and therefore they reflect the current as well as ideal form of segmentation for Kämp Group. One sales manager from Kämp Group and two HAAGA-HELIA UAS professors were consulted for the non-conjoint questions. In this survey non-conjoint question include the number of meetings per year, the average spending and level of loyalty contract in addition to the industry the respondent works in. Additionally, respondents were offered a possibility to leave contact details in order to participate lottery and win dinner for two people in one of Kämp Group's restaurants.

6 Results and findings

The art of conjoint analysis is that it allows market simulations with the collected data. In this thesis SMRT, the data analysis program from Sawtooth Software is used for market simulation. SMRT offers several different methods to estimate part worths for different attributes and levels: First Choice (or Maximum Utility), Share of Preference, Randomized First Choice and Purchase Likelihood Simulation. From these methods the Randomized First Choice is used. Furthermore, Hierarchical Bayes (HB) model is used for utility estimation. The reason being, that those are the most recommended methods by Sawtooth Software for overcoming possible errors possibly occurring with other methods. By running HB utility calculation with SSI Web the program creates by default 20 000 repetitions from the responses. Meaning, although the respondent number in this survey is only 105, it is possible to obtain rather accurate results. Secondly, Excel tools are used to visualize the data provided by SMRT.

It should be noted that possible simulations with different pricing aspect and within different segments were conducted more than introduced in this thesis. Also, the number of possibilities is endless. This chapter, however, only presents the most important results from Kämp Group's point of view.

6.1 Respondent profile

The number of completed answers in this survey was 63 after the first newsletter email and the final number 105 when the survey was closed. Meaning the response rate is 3.77 %. The number of incomplete answers was 189 and thus they were not included in the analysis. Respondent profile introduced in this subchapter is built from the non-conjoint questions asked at the end of the survey. All non-conjoint questions were multiple choice questions.

As Figure 4 indicates, the vast majority (70 %) of respondents organize 11 or more meetings per year. The large number of frequent meeting organizer might result in the fact that they are also more interested in having different kinds of discounts for the meetings organized. Moreover, the fact that the majority of respondents actually organize large number meetings means that they are familiar with the normal pricing

schemes and thus are well qualified to answer this survey. In the survey respondents were offered four choices for number of meetings. Since the number of respondents in the individual groups of 6-10 meetings, 3-5 meetings and 1-2 meetings per year are rather low, those groups are studied as one group with equal or less than 10 meetings per year, representing total of 30 % of respondents.

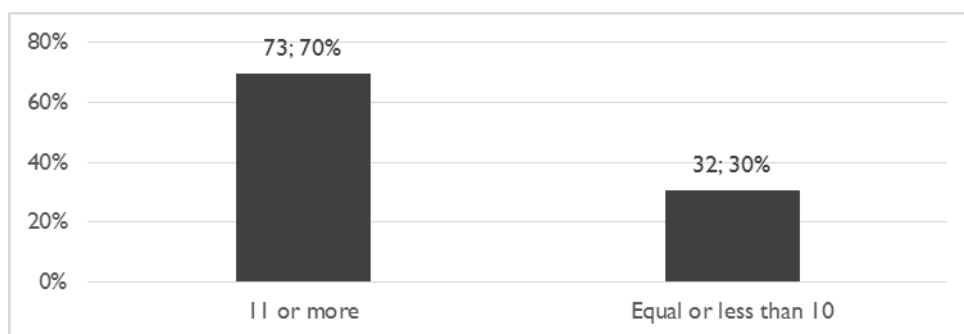


Figure 4. Meetings organized per year (n=105)

For the majority of respondents (31 %) the average budget per person for a whole day meetings is 51 € - 60 € (Figure 5). 18 % of respondents indicated their budget per person is 61 - 70 € and 16 % expressed the budget to be between 41 € and 50 €. Since the real price of full day meeting package is 86 € / person, some of the respondents might probably consider Glo Kluuvi's meeting package as expensive. This might be one of the reason which encouraged them answer this survey.

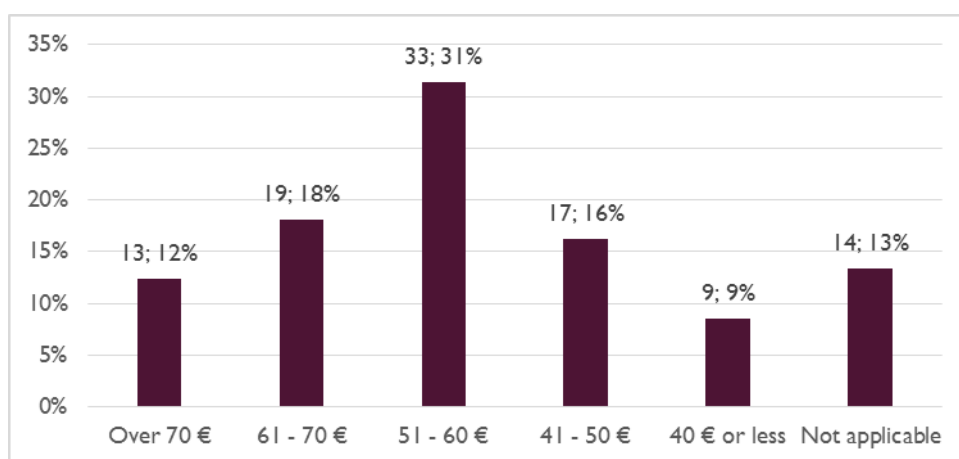


Figure 5. Budget per person (n=105)

To find out how many respondents are loyalty contract clients and at which level, the respondents were offered five options to choose from:

- Yes, 15 %
- Yes, 10 %
- Yes, 5 %
- Not a contract client
- Not applicable

Almost half of the respondents indicated they are not contract clients and 1/3 of respondents selected “Not applicable” –option, as Figure 6 displays. Only total of 20 % of respondents were contract clients at any level, most of them (13 % of the total) at level 5 %. Therefore the simulations in this and the following chapter are conducted with only three different groups: contract clients at any level, non-contract clients and those who chose not applicable. Respondents in segment ‘Not Applicable’ might e.g. not be aware of their contract level if they are working for bigger organization or they chose not to reveal their contract level.

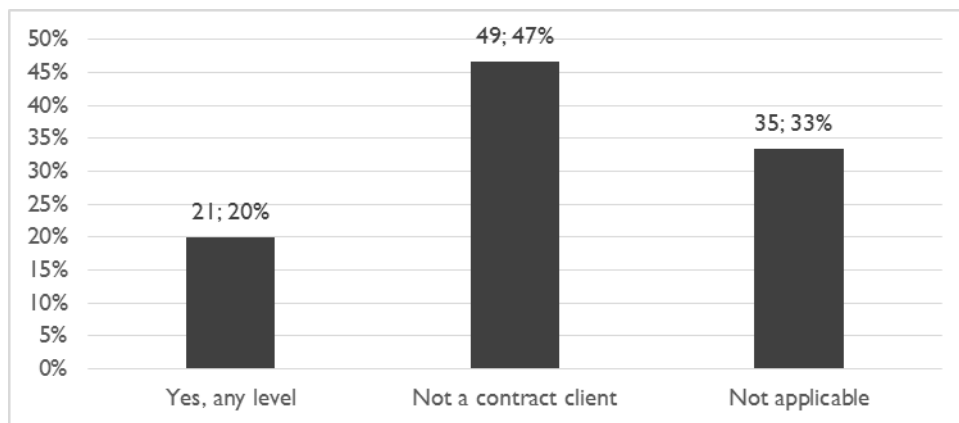


Figure 6. Division of respondents between contract clients, non-contract clients and other (n=105)

As figure 7 displays, rather large selection of industries was offered to select from. Majority of respondents (33 %) indicated their industry to be ‘Other’ which includes transportation, retail, travel agency, construction, energy and whole sale, as expressed by respondents when selecting the option ‘other’. Next biggest industries are IT and communication with 15 %, consultancy with 12 % and manufacturing with 10 % representation. The purpose of industry division was to see if there is any difference in WTP for different attributes between different industries. Since the respondent number for

each industry segment is quite low, any analysis with the different industries would not be significant and thus industry differences are not analyzed in this thesis.

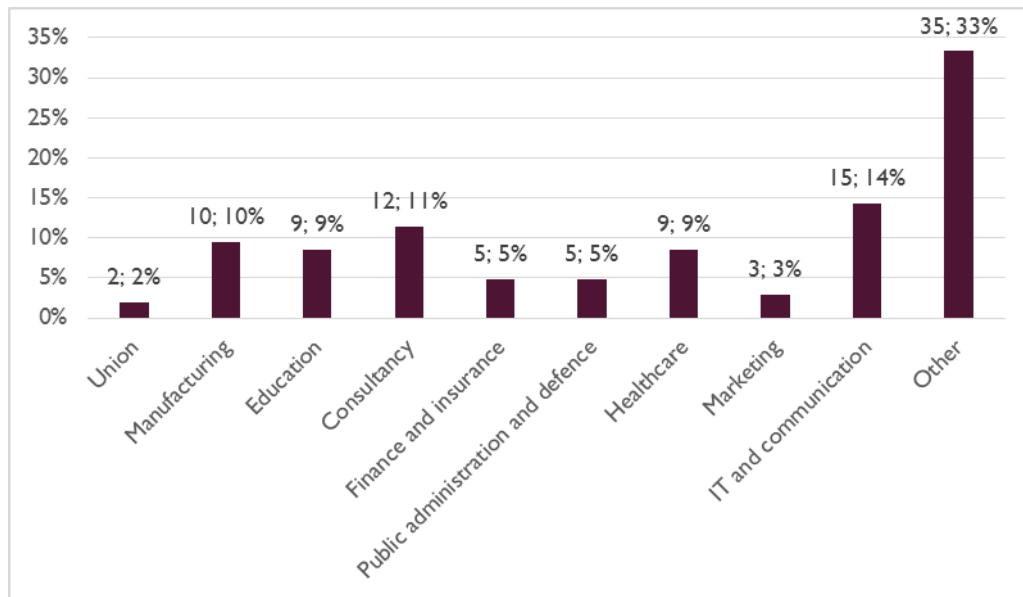


Figure 7. Industries the respondents work for (n=105).

6.2 Most important attributes

Conjoint analysis easily reveals the most important attributes in terms of determining the selection between alternative options offered. Average importances are obtained directly from SMRT program and although they do not reveal the exact preferences for individual levels, average importances indicate which attribute selection was most important to respondents. Average importances vary between segments, but they will not be affected by competing products used in simulations. Finding the most important attributes for different segment can help companies to focus on the things customers consider the most when selecting between competing alternatives.

As Figure 8. presents, the most important attribute by 36 % is the package option, followed by method of payment with 19 % utility and change and cancellation policy by 15 % utility. In other words, among all respondents package option is the most important factor when respondents choose from different alternatives. In other conjoint studies price has been one of the most important determinant, but in this survey it is not at top three attributes, which is quite surprising. In fact, price, time of booking or

time of meeting all have the average importance of only round 10 %. Thus they seem to be fairly unimportant to respondents.

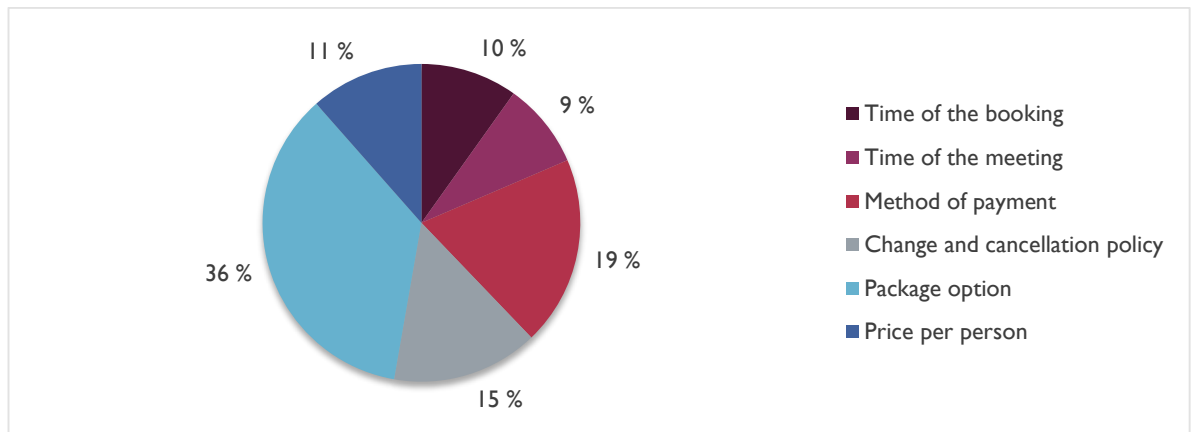


Figure 8. Average importances for different attributes by all respondents (n=105)

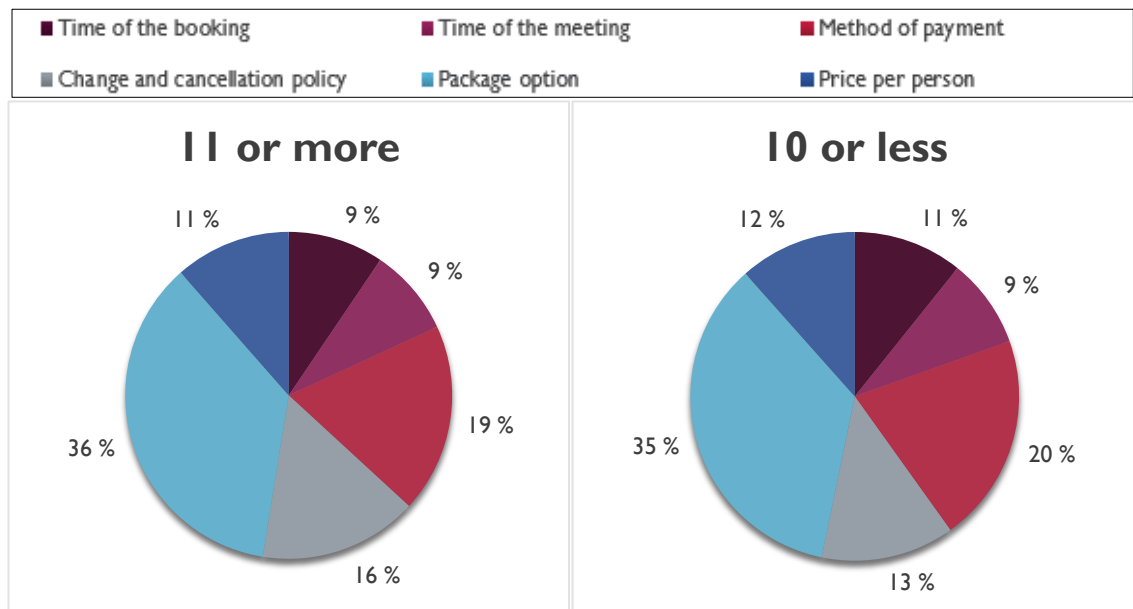


Figure 9. Average importances by number of meetings: 11 or more meetings (n=73) and 10 meetings or less (n=32)

When it comes to the average importances by number of meetings per year, differences are rather small, mainly only +/- 1 %, as displayed in Figure 9. Only change and cancellation policy has higher average importance (16 %) within those who organize 11 or more meetings per year compared to 13 % within those, who organize only 10 meetings or less per year. Meaning the number of meetings has only minor effect to which attributes respondents value the most.

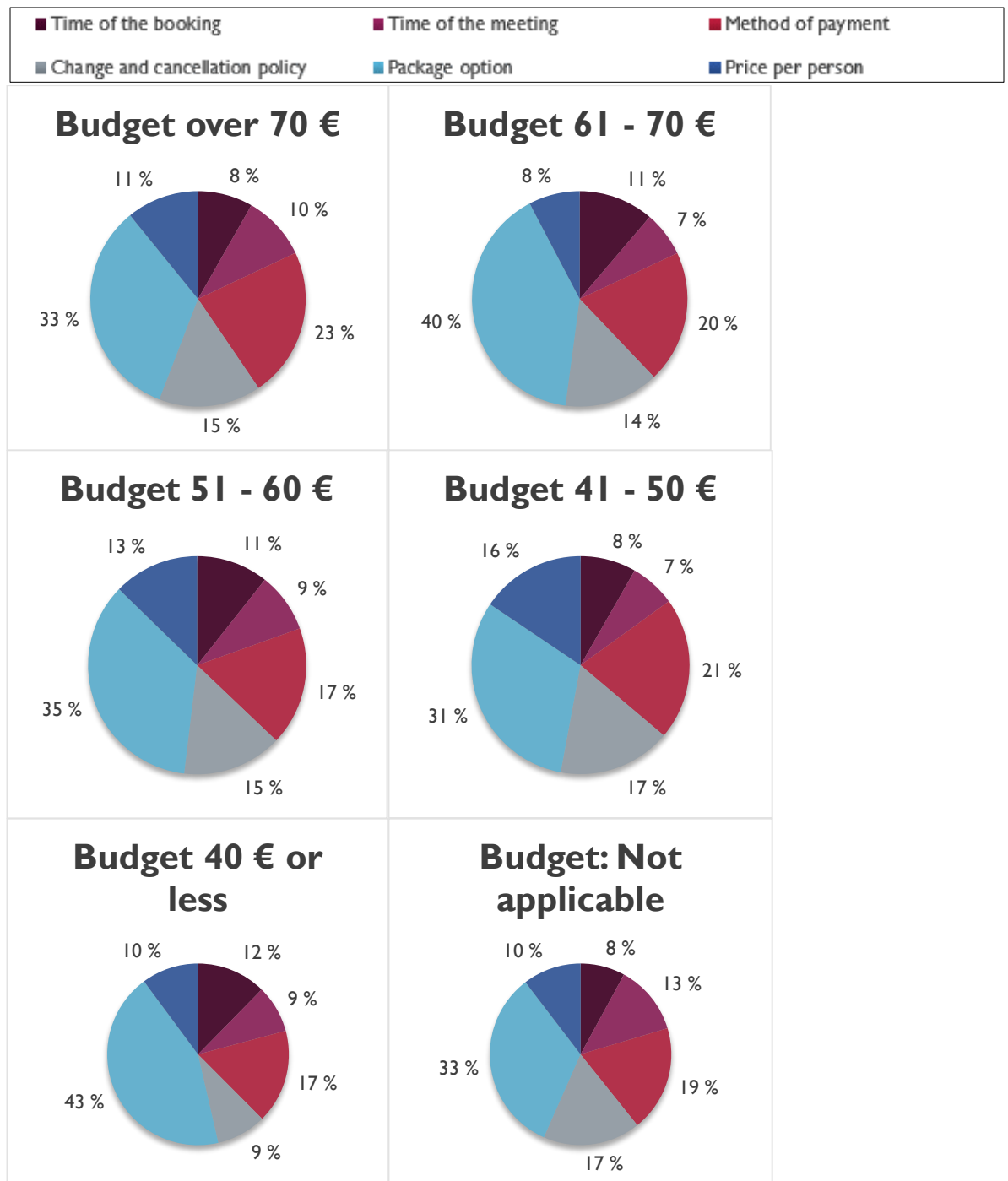


Figure 10. Average importances by budget: Budget over 70 € (n=13), Budget 61-70 € (n=19), Budget 51-60 € (n=33), Budget 41-50 € (n=17), Budget 40 € or less (n=9) and Not applicable (n=14).

There are some interesting differences in average importances between budget groups, as seen from Figure 10. The average importance of price is 16 % for those, whose budget is 41-50 € but interestingly only 10 % for those whose budget is 40 € or less. Secondly, the average importance of change and cancellation policy is mainly around 15 %. For those whose budget is 40 € or less, however, it is only 9 %. The biggest

variation can be seen within the average importance for package option: the range is from 31 % within budget group 41-50 € to 43 % within budget group 40 € or less. Furthermore, payment method has also some variance in the scores; the average importance of payment method is 17 % for budget groups 51-60 € and 40 € or less, but 23 % for the budget group 70 € or more.

On the other hand, more visible differences can be seen between contract clients, non-contract clients and others (Figure 11). Where the average importance of package option is only 35 % and 34 % for non-contract clients and others respectively, it is at the level of 39 % for contract clients. Apart from package option, other attributes have rather similar average importance within all contract client segments.

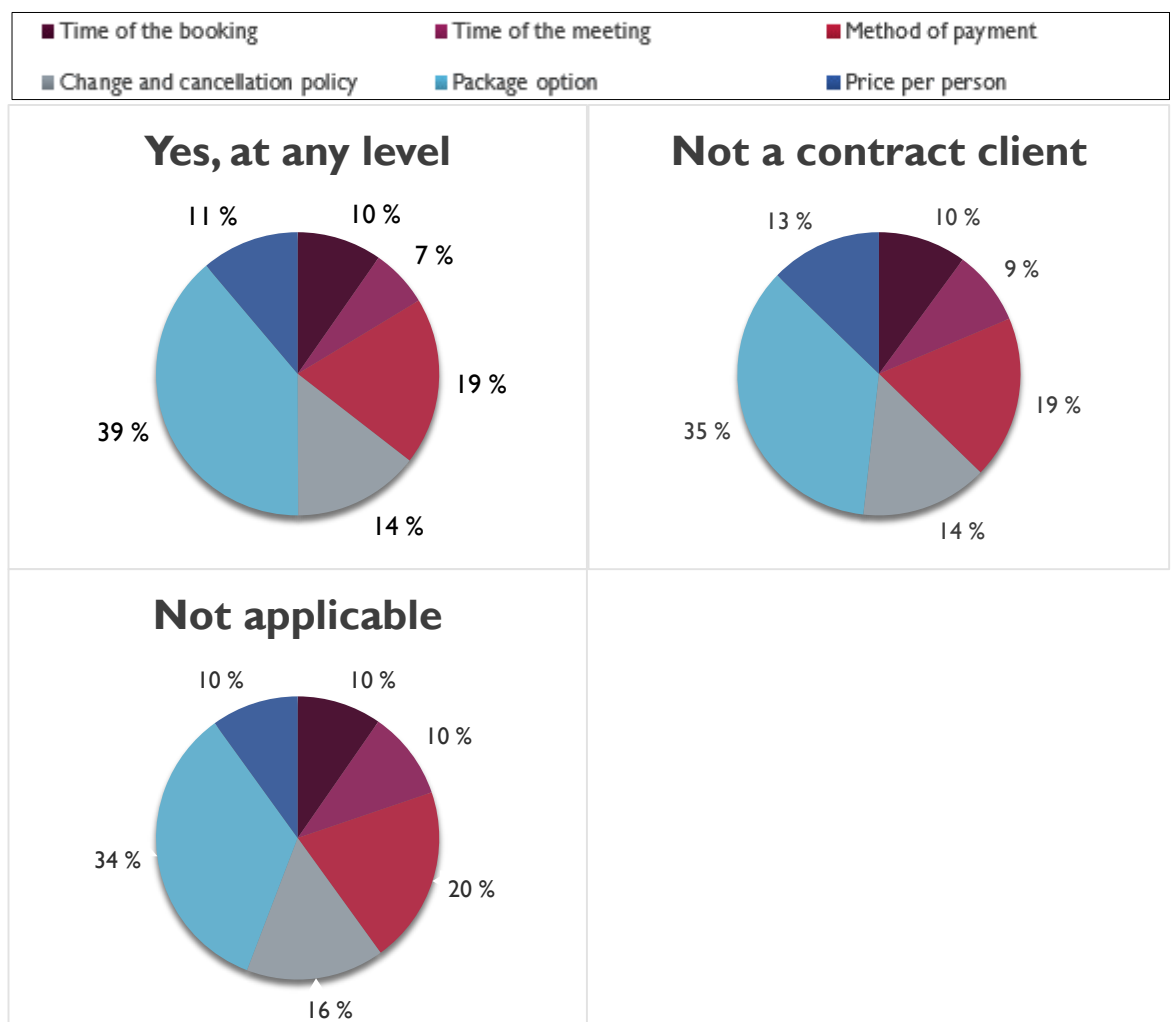


Figure 11. Average importances by level of loyalty contract: Contract client at any level (n=20), Not a contract client (n=49) and Not applicable (n=35)

6.3 Share of preference for individual attribute levels

Before any simulation with SMRT program can be conducted, a base case needs to be established. It should be as close to the realistic situations as possible in order to give valuable results. In this research the traditional meeting package model in Kämp Group has been used. This model, introduced in Table 2, consists of the following elements: no discounts for early bookings or flexibility with the day of the week, invoice as payment method, 1 month change and cancellation policy as well as traditional meeting package with catering included at the price of 65 €. Real price for this kind of meeting package is 86 € / person, which is why the highest given price is used in the base case.

Table 2. Traditional meeting package model used in the simulations

Traditional Model = Base case
No discount for early bookings
No discount for flexible day of the meeting
Invoice (Invoicing fee 17 €)
1 Month cancellation policy
Traditional meeting package
65 €

When it comes to studying shares of preferences for individual levels, SMRT allows the researcher easily to examine utilities for different attributes levels by providing the price sensitivity graphs with only little effort. When the average importance demonstrated in the chapter 6.2. revealed only the most important attributes, the utilities shown in the following figures display the share of preference for each individual attribute level, revealing the most preferred levels in correlation to price. In these simulations for shares of preference the base case is kept otherwise the same, only the level for the respective attribute and the price vary.

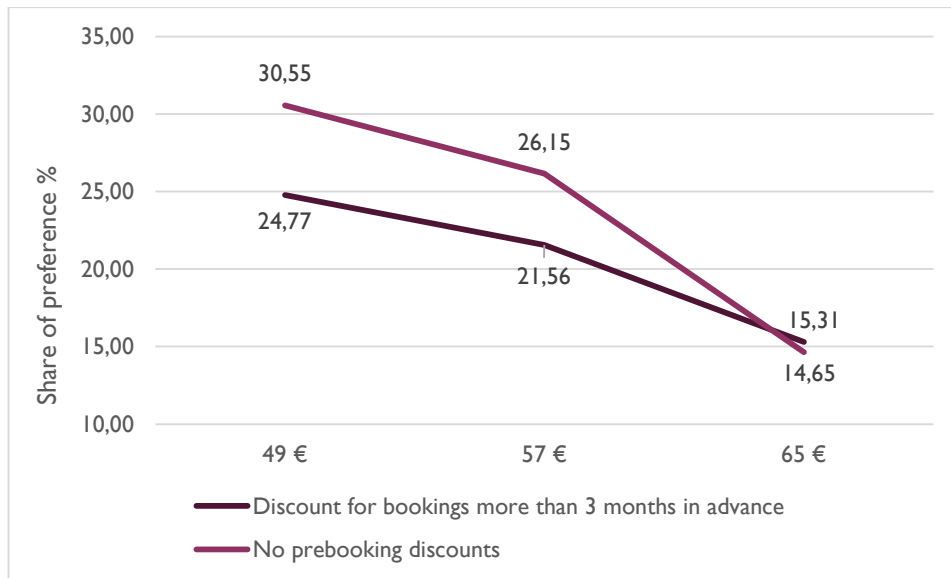


Figure 12. Shares of preference for time of booking attribute levels.

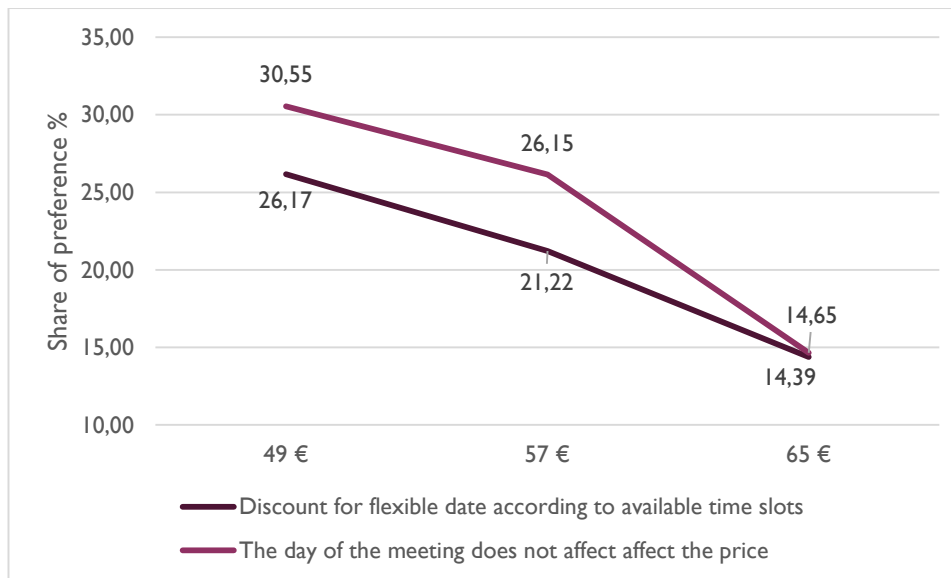


Figure 13. Shares of preference for time of meeting attribute levels.

As Figures 12. and 13. display, advance booking discount or discount for flexibility with time of the meeting have rather low utilities. In both cases the option with no discount has higher share of preference and thus are more preferable options among respondents. In other words, respondents chose less often the option to receive discount of 5 % by booking earlier or 2.5 % by being flexible with the day of the meeting. Only at the price level of 65 € the utility scores in both cases and for are almost the same. Meaning at this price level both options were chosen equally often. Additionally, in both cases the price sensitivity is higher for the no discount options, in both cases -

0.99 against -0.59 for pre-booking discount option and -0.74 for date flexibility discount option. Thus it would seem that if the price increases even more, the share of preference for discounted options could be higher.

When share of preference for time of booking is compared within different budget segments (Attachment 7), almost all segments follow the utility scores for total respondent group presented in Figure 12. Only exception is the budget group of over 70 €: this group is willing to utilize pre-booking discount at all price levels. Price sensitivity graphs for date flexibility within different segments are also close to the price sensitivity for total respondent group presented in Figure 13. Therefore those graphs are not introduced in this thesis at all.

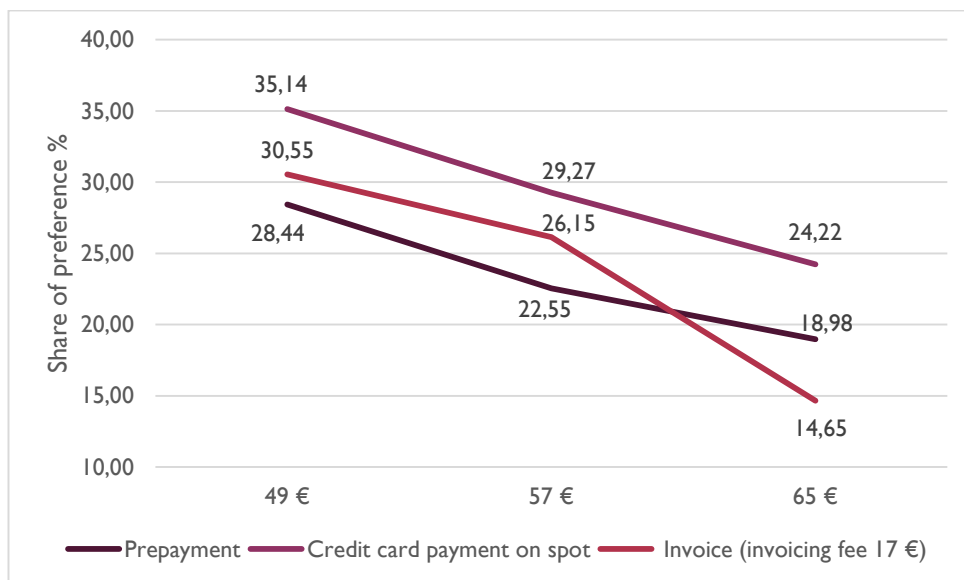


Figure 14. Shares of preference for different payment method options

Figure 14. displays credit card payment as the most preferable level between different payment methods and it maintains this position at all price levels. Payment by invoice is the second preferred option at the price of 49 € and 57 €. It has, however, price sensitivity of -0.99 and at the price of 65 € the share of preference is already below prepayment's utility level. The utility for prepayment is 28.44 and 18.98 at the price of 49 € and 65 € respectively with price sensitivity being -0.59. Thus at the price of 65 € prepayment is the second preferred level after credit card payment.

Although credit card payment is within the whole respondent group the most preferred option, Attachment 8. reveals that within different segment it has highly varying preference. Budget groups 61 - 70 € and over 70 € prefer invoice as the first method of payment whereas for the remaining budget groups invoice is the least preferred option. Only within the group Not applicable prepayment is the least preferred option.

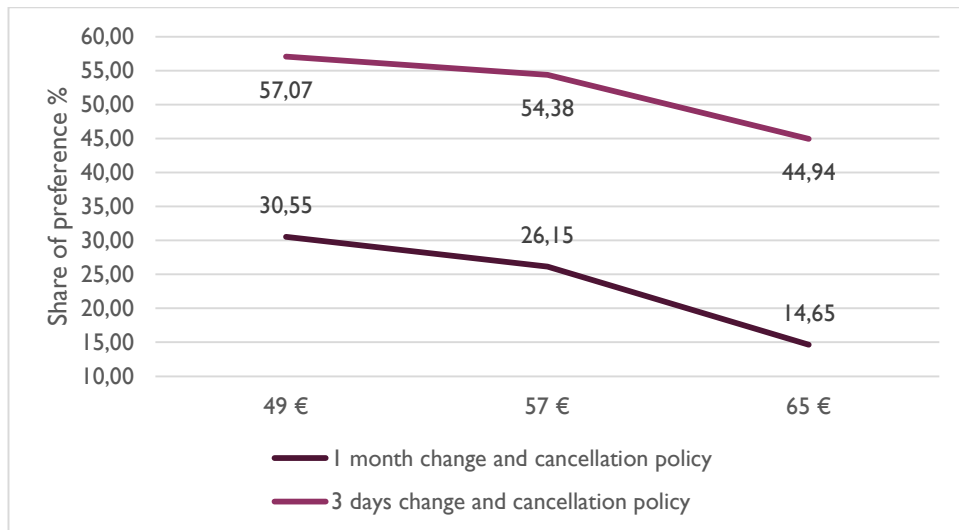


Figure 15. Shares of preference for change and cancellation policy options

With a rather distinctive difference, 3 days change and cancellation policy has significantly higher utility score than 1 month change and cancellation policy (Figure 15). At the price of 49 € the share of preference for 3 day change and cancellation policy is 57.07 when for 1 month change and cancellation policy it is only 30.55. Furthermore, the price sensitivity for 3 day cancellation policy is -0.76 when it for 1 month cancellation policy is -0.99. In other words, 3 day cancellation policy is a highly attractive option.

When it comes to the different package options Figure 16. displays how ROOM ONLY option has very low share of preference throughout all price levels. Even at the price of 49 € the share of preference for ROOM ONLY is less than 15.00. Second most preferable option for the meeting package is the traditional model of meeting package. The price sensitivity for traditional meeting package, however, is more than -1. The most preferable option is the room rent including technical equipment but no catering. At the price of 49 € the utility for this option is 40.18 and even at the price of 65 € it is more than 30.00.

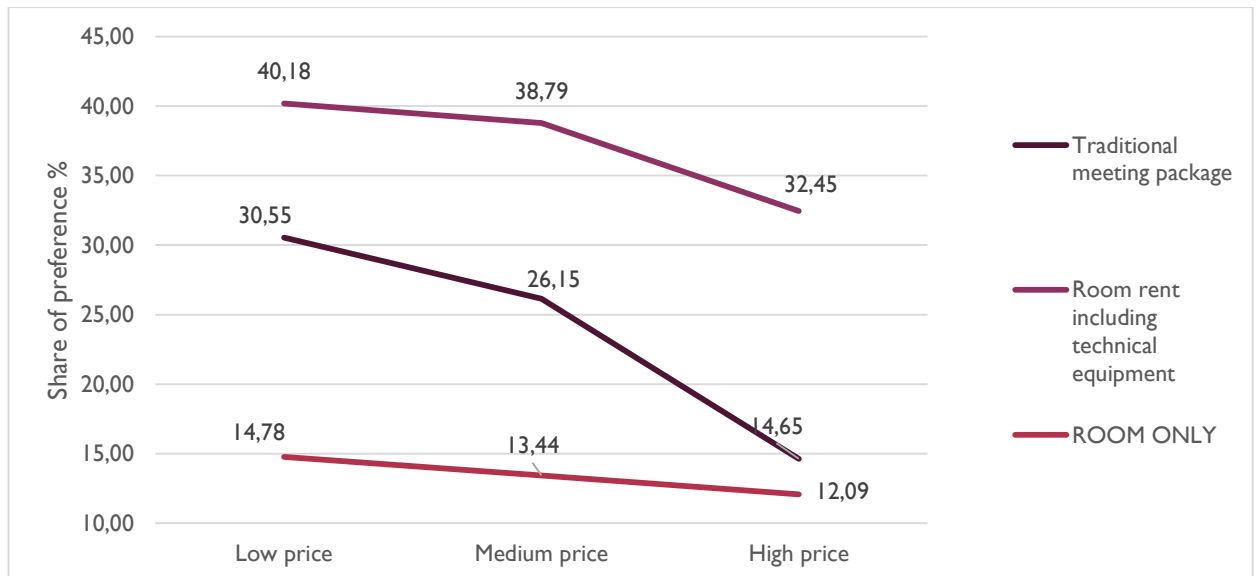


Figure 16. Shares of preference for different package options².

If different package options are compared within individual budget, number of meetings or loyalty contract segments, only differences to Figure 16. can be found within some budget groups. Those, who have their budget between 61 and 70 € prefer meeting package with catering over room rent with technical equipment option (Attachment 9). The most distinctive group, however, are those who have budget less than 40 €. Their share of preference for room rent including technical equipment is ca. 75 % and 70 % at the prices of 49 € and 65 € respectively. None of the other budget segments have the utility this high. This group also prefers the ROOM ONLY option over traditional meeting package when all other segments have traditional meeting package as second best option. Within other segments presented in chapter 6.1. there is no difference in the relative preference between the package option, only the utility scores vary slightly.

6.4 Willingness to pay

WTP for each attribute is calculated by comparing shares of preference. First the researcher should start with as realistic situation as possible without the level studied.

² In Figures 12-15 the simulations are done with traditional meeting package including catering, which is why the price range is displayed in numbers as it is also displayed in the survey. When it comes to comparing different meeting package options, however, the same numerical price cannot be displayed for all packages, therefore only the relative price range is displayed.

Then the level should be added but the price should remain the same. Finally, the price should be raised so much that the share of preference returns to the starting level. The change in price is the WTP.

As Figures 12 and 13 show, within the given price range the shares of preference are higher for traditional, no discount option than advance booking discount or discount for flexible day of the week options. Hence guests do not wish to utilize any additional discounts and therefore the willingness to pay for those options cannot be calculated. When it comes to the different package options, willingness to pay cannot be calculated since the packages were offered at different price ranges.

Table 3. Shares of preference for different cancellation policies at different prices within all respondents.

Price	Change and cancellation policy	Share of preference against 'None'
49 €	1 month	66,66
49 €	3 day	79,81
65 €	3 day	77,53

When it comes to change and cancellation policies, WTP for 3 day change and cancellation policy is significant. Table 3. shows the differences in the share of preference between 1 month and 3 day cancellation policies at different price levels. With 3 day cancellation policy, even though the package price will be raised to the maximum, the share of preference is still tremendously higher than for 1 month cancellation policy. Thus the WTP is at least $65 \text{ €} - 49 \text{ €} = 16 \text{ €}$ without reaching the final amount. Furthermore, it should be kept in mind that respondents were offered 5 % discount for choosing 1 month change and cancellation policy and yet they still chose to have the 3 day change and cancellation policy at significantly higher price.

When researching different segments, within different loyalty contract segments and segments by number of meetings WTP for 3 day cancellation policy is also more than 16 €. From the individual budget groups only the group with budget 40 € or less has WTP below 16 €. As Table 4 indicates, their WTP for 3 day cancellation policy is 4.91 €.

Table 4. Shares of preference for different cancellation policies at different prices within budget group 40 € or less.

Price	Change and cancellation policy	Share of preference against 'None'
49 €	1 month	54,34
49 €	3 day	58,03
53,91 €	3 day	54,34

Also, comparison between WTP for different payment methods is only meaningful between invoice and credit card payment. The reason being, that the share of preference for prepayment is less than the utility for invoice (Figure 14) which can be considered as the traditional payment method. Although Table 5. shows that respondents are willing to pay 7.76 € for credit card payment, again, it should be kept in mind that credit card payment was offered with 2.5 % discount. Meaning, some of the customers might consider they do not pay this amount when choosing the option with discount offered.

Table 5. Shares of preference for different payment methods at different prices within all respondents.

Price	Payment method	Share of preference against 'None'
49 €	Invoice	66,66
49 €	Credit card	67,63
56,76 €	Credit card	66,66

Table 6. summarizes WTP for different attribute levels. Only for credit card payment offered with 2.5 % discount any exact WTP could be calculated. For the remaining levels it is either non-existing or above 16 €. The summary is presented only for the whole population since the individual segments are, with few minor exceptions, in line with the whole respondent group.

Table 6. Summary of respondents' WTP for different attribute levels within all respondents.

Attribute level	WTP
Discount for pre-booking option	None
Discount for date flexibility option	None
3 day cancellation policy	> 16 €
Credit card payment	7.76 €

7 Discussion on results

When reviewing again the given research questions for this thesis, it can be noted that the results answer those questions already fairly well. Yet there the results can be studied also from the literature point of view. This chapter will provide the reader overview to the results and discussion how the results are in line with the existing literature.

7.1 Most important attributes and levels

Although within the studied attributes change and cancellation policy is only the third most important determinant, willingness to pay for 3 days change and cancellation policy is significant. As the results point out, the difference in demand for varying change and cancellation policies is, in fact, the most distinctive result in this study. Within the given price range the maximum WTP for 3 day change and cancellation could not be reached. Hence it is at least 16 €. Therefore Kämp Group should consider whether more flexible cancellation policy could be offered for at least smaller (e.g. under 30 person) meetings. With careful demand forecasting it could be assessed whether the risk of last minute cancellations could be taken. According to the results it would seem that demand for meeting space in Kämp Group could increase with this change. Furthermore, change and cancellation policy rules could be combined with other RM practices, e.g. if the meeting is organized on a less busy day, more flexible change and cancellation policy could apply. Moreover, instead of guaranteed availability used in hotels to reward loyal customer (e.g. von Martens & Hilbert 2011), Kämp Group could offer more flexible change and cancellation policy to its key customers.

Package option has the highest average importance within the studied attributes and therefore the results are quite interesting. Instead of the traditional meeting package model, which includes everything from technical equipment to catering, Kämp Group's M&E customers seem to prefer option which includes only technical equipment and the room rent without catering. This is fairly understandable since package option has the biggest effect on price and costs can be controlled better when the starting price is lower with no catering included. Catering can be then ordered according to individual budget of each customer. On the other hand, package option was the most

important matter when selecting between different options with 36 % average importance. Furthermore, although room rent including technical equipment has the highest utility, also meeting package including catering has rather high share of preference, especially at the price of 49 €. This could indicate that there is demand for both alternative options within Kämp Group's M&E customers.

Payment method is among the studied attributes the second most important one with average importance of 19 %. Yet the difference in utilities for different payment methods is not very significant. Prepayment with 5 % and credit card payment with 2.5 % discounts were added to this research to see whether M&E customers could be encouraged to make the payment earlier or at least on spot. The results indicate that with 2.5 % discount for credit card payment the customers could settle the charges more often upon departure than by invoice after the event. This is somewhat surprising since some employees have to use difficult programs to claim the credit card charges from the companies or at least to hand in the credit card receipts. Prepayment with higher discount, on the other hand, was not an attractive option for respondents, although Kimmes and McGuire (2001) suggest prepayment discount could be one effective practice. As one of the respondents commented, for multinational companies prepayment is not even an option.

From the Kämp Group's point of view, earlier bookings for hotel rooms as well as meeting rooms would be naturally preferred. Therefore pre-booking discount would be one option to encourage earlier bookings. The results would, however, indicate that M&E customers are not willing to utilize pre-booking discounts. This would seem to follow the pattern from hotel industry; corporate clients make their purchase decisions on a shorter notice, whereas more price sensitive leisure guests book more in advance. In other words, pre-booking discount is either not an attractive option for M&E customers or they merely have the possibility to utilize offered discounts. Hence guests seem to prefer consistent price over money savings also in regards to pre-booking discounts.

Wang (2012) identified that rate fluctuation or "opportunistic pricing" is from key account customers' point of view one of the biggest issues in hotel RM. To overcome

this issue, it has been widely used practice in hotel RM to offer discounts on off-peak periods (e.g. Zhang 2011, 141-143). Also Talonen, J. (28 Oct 2013) suggested that some M&E segments could benefit from discounted prices on low-demand periods. In this survey, although respondents were offered a discount of 2.5 % for organizing a meeting on low-demand day, the results indicate that in the M&E sector clients are not willing to utilize such discounts. Instead, respondents chose the model which has no price fluctuation. The reason for this might be the fact that when organizing meetings, customers are most likely not able to choose the day. The more people are participating the meeting, the harder it is to find a suitable day for the meeting and possible discounts are the last thing to consider.

On the other hand, it can be discussed whether the results for choosing one fixed price over pre-booking discount or flexible day of the week discount mean, that they should not be offered at all. After all, the price sensitivity graphs (Figures 12. and 13.) seem to indicate that with higher prices the preference for these options could increase and therefore they could be considered. Secondly, as Liebermann (2011) states, pricing should be systematic and transparent. Meaning, since the customers seem to prefer consistency, if any discount is offered, it should follow a clear pattern which customers can learn as well. Thirdly, if such discounts are incorporated, they should be designed in a way which is easy for the sales agents to offer.

7.2 Recommendation for ideal pricing model

In addition to shares of preference, Figures 12-16 display the most popular attribute levels, meaning the most preferred pricing components. By combining this information, meaning by selecting the levels with the highest utility scores, the potential future pricing model can be discovered. The results suggest that guests prefer to have no discount for early bookings, no discount for flexible day of the meeting, credit card payment with 2.5 % discount, 3 days cancellation policy and room rent including only technical equipment as the package option (Table 7). As Figures 12-16 also display, the most preferred attribute levels remain the same throughout all price levels.

Table 7. Potential future model for M&E pricing.

Combination 1
No discount for early bookings
No discount for flexible day of the meeting
Credit card payment with 2.5 % discount
3 Days cancellation policy
Room rent including technical equipment
29 €

When simulations with the potential future model were conducted, it was discovered that share of preference for the future model is, in fact, higher if payment method used is invoice rather than credit card payment. As Figure 17. displays, the difference in shares of preference for Traditional Model vs. Ideal Model offered with different payment methods is round 5 % in favor for Ideal Model with invoice. The reason for this might be the fact that when the part worths are calculated for a bundled option, invoice in conjunction with other levels at hand receives higher utility than individual levels received.

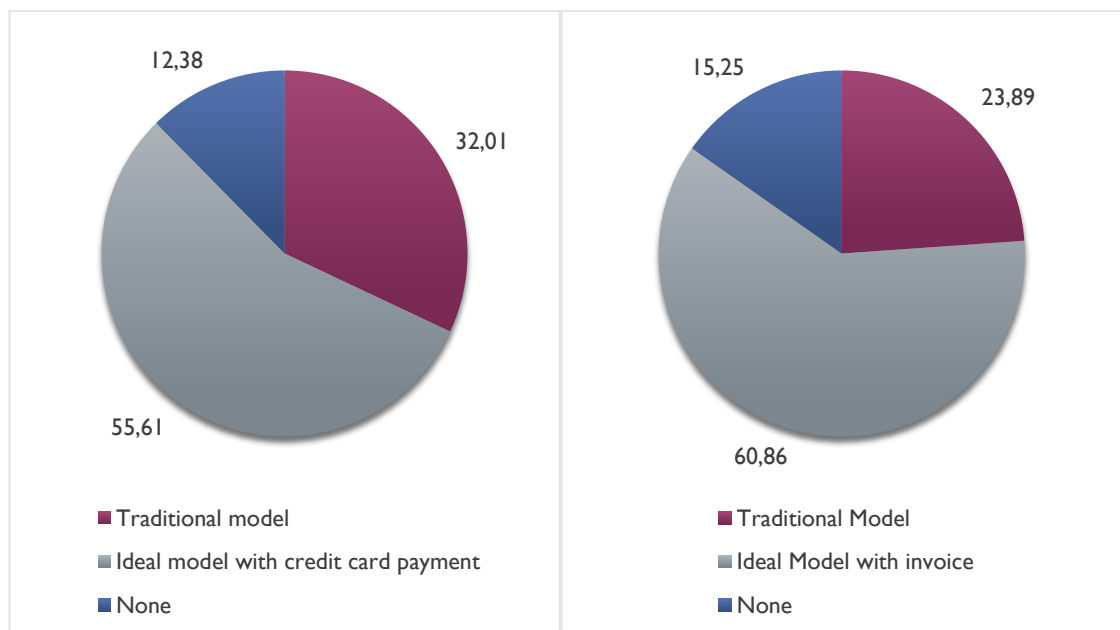


Figure 17. Comparison of shares of preference for Traditional Model, Ideal Model with alternative payment methods and None-option.

Table 8. Ideal Model for future M&E pricing.

Combination 2
No discount for early bookings
No discount for flexible day of the meeting
Payment by invoice (Invoicing fee 17 €)
3 Days cancellation policy
Room rent including technical equipment
29 €

Following the discovery in Figure 17, the potential model for future pricing includes invoice as the payment method. In the following discussion this model will be called as Ideal Model (Table 8). To demonstrate the effects of Ideal Model further, some simulations are presented below.

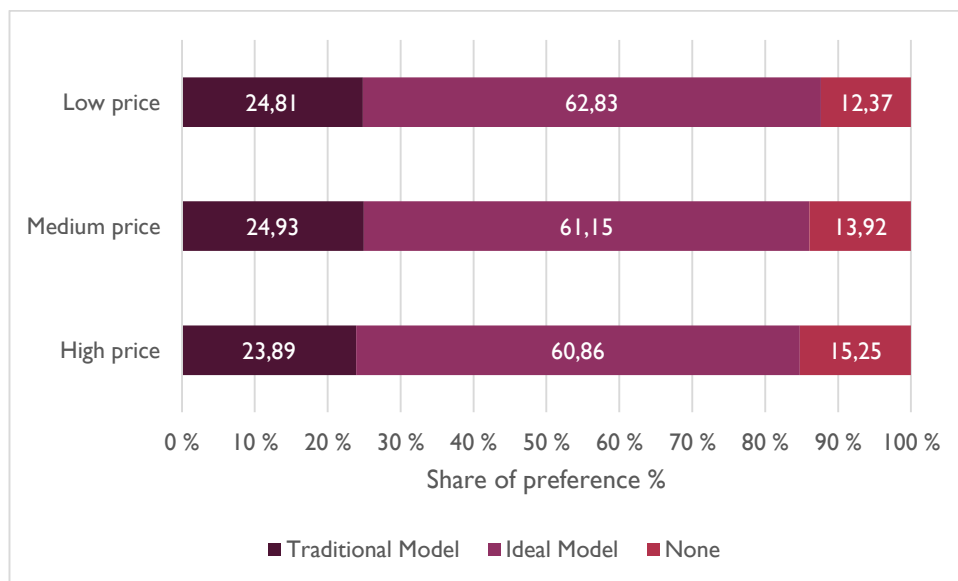


Figure 18. Comparison of shares of preference between Traditional Model, Ideal Model and None-option at low, medium and high price.

As Figure 18 displays, if customers are offered Traditional Model and Ideal Model simultaneously, Ideal Model is clearly the most preferred package with ca. 60 % share of preference against 24 % utility for Traditional Model. Traditional Model has the highest share of preference at medium price whereas Ideal Model receives the highest utility score at low price. On the other hand the difference between different price levels is

not very significant for neither of the packages. The highest share of preference for Traditional Model only decreases ca. 1 % when the price changes from medium to high price. Within the share of preference for Ideal Model the difference is about 2 % between the low and high priced option. Although demand is higher with lower prices, Figure 19 shows however, how revenue gained is significantly higher from the high priced packages than from low or medium priced packages. In other words, the high priced options in both cases are more profitable for the meeting venue than low priced one. On the other hand, Figure 18 also supports the recommendation presented in chapter 7.1. that M&E guests should be offered both alternatives to choose from. After all, round 25 % of respondents would still choose the Traditional Model over Ideal Model.

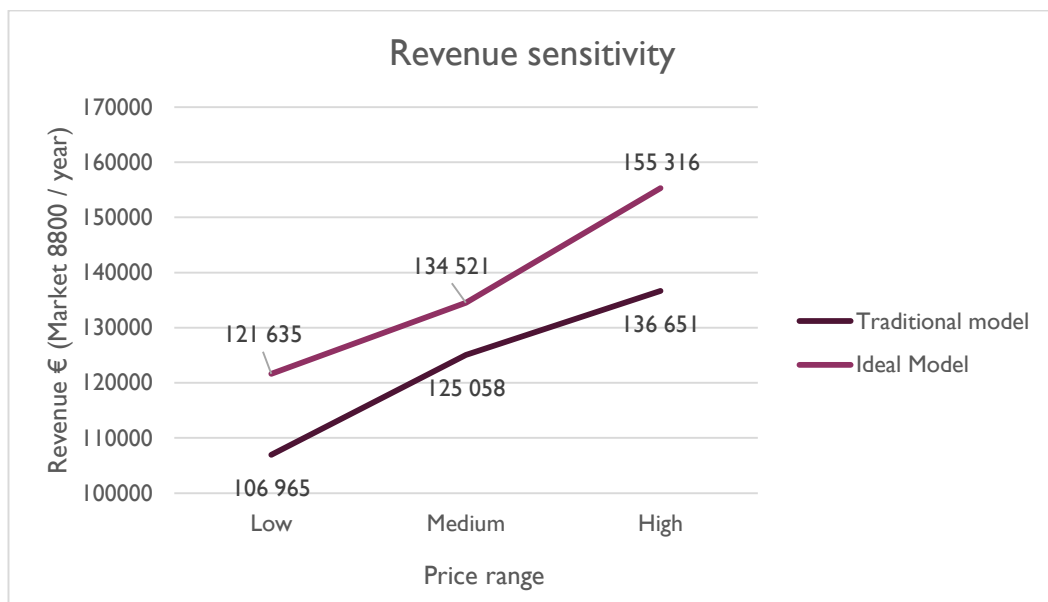


Figure 19. Revenue sensitivity for Traditional Model compared with Ideal Model at different price levels. For revenue sensitivity graph of Traditional Model the prices 49 €, 57 € and 65 € are used for low, medium and high price respectively. For the revenue sensitivity of Ideal Model prices of 22 €, 25 € and 29 € are used instead.

As is can be seen from Figure 19, within the price range of 49 € – 65 € for Traditional Model and 22 € - 29 € for the Ideal Model the maximum point of revenue is at the highest price point. Hence the share of preference does not decrease enough with the increasing prices to result in decreasing revenue. On the other hand, revenue sensitivity does not take into account the costs involved. Therefore a careful internal assessment should be conducted to see whether room rent alone with catering options offered

separately would be a feasible option. With Traditional Model costs involved are greater than they would be with Ideal Model since currently offered catering inevitably increases costs.

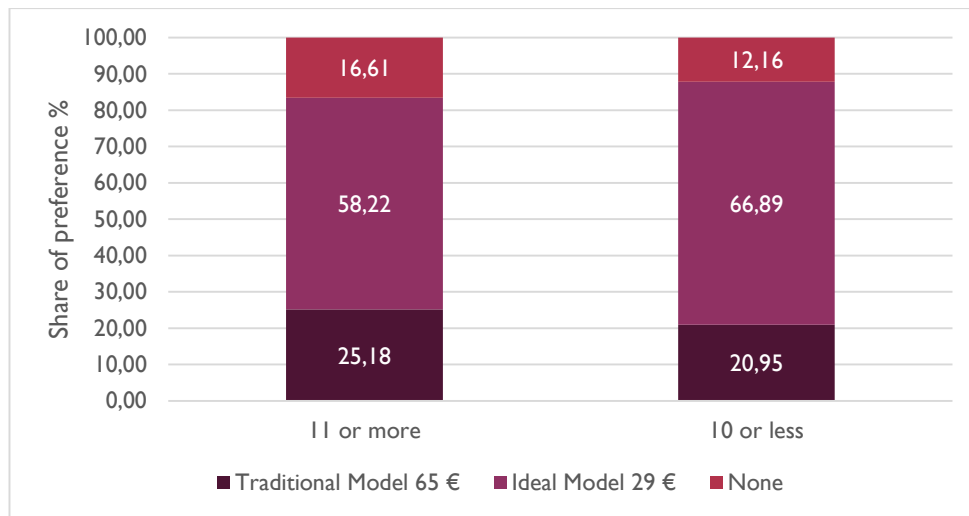


Figure 20. Shares of preference for Traditional Model and Ideal Model by number of meetings.

Those who organize 11 meetings or more per year seem to prefer Traditional Model more often than those who organize 10 meetings or less with utilities being round 25 % against 21 % (Figure 20). Yet Ideal Model is clearly most preferred option for both segments, albeit those who organize 10 meetings or less have significantly higher share of preference for Ideal Model. In fact, the difference to those with 11 or more meetings is almost 9 %. One reason might be that respondents, who organize more meetings, value the ease of traditional meeting package.

Within different budget groups the share of preference for Traditional Model varies from 8 % to 42 %. Budget group 40 € or less has the lowest preference for traditional model and also the highest for Ideal Model: ca. 80 %, as seen from Figure 21. When the budget grows, also the preference for Traditional Model grows. Only surprisingly, the segment with budget over 70 € has utility 22 % for Traditional Model and 55 % for Ideal Model. Within this segment the preference for None-option is much higher than within other segments, 22 %. This might result from the fact that they want easy options and the current meeting package in Glo Meets suits their needs well, but since it was not offered directly in the survey, this segment chose more often the None-option.

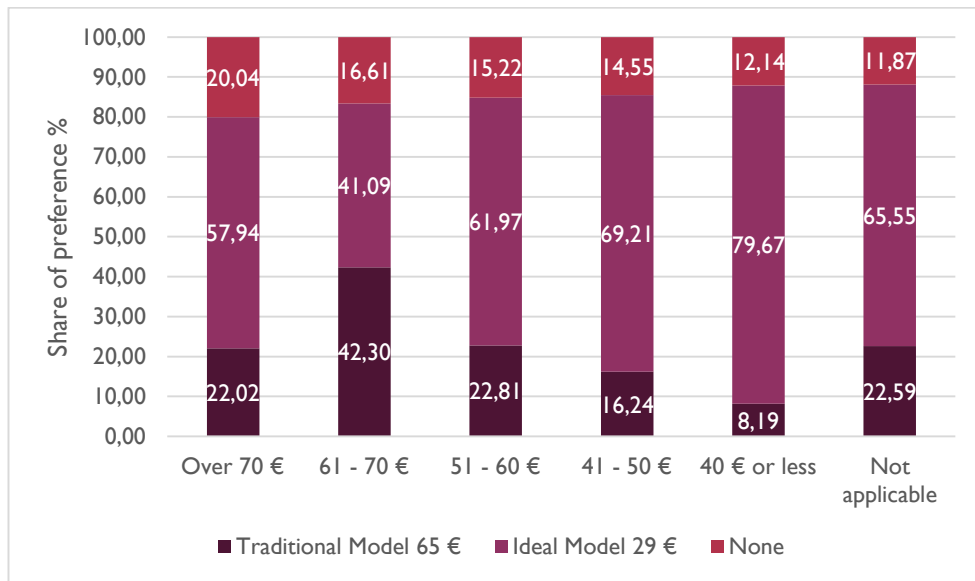


Figure 21. Shares of preference for Traditional Model and Ideal Model by budget groups.

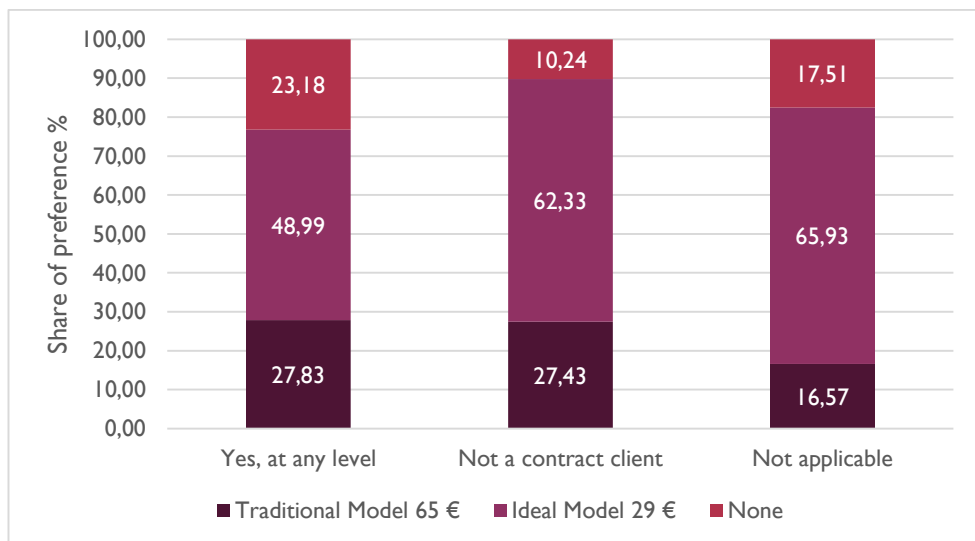


Figure 22. Shares of preference for Traditional Model and Ideal Model by loyalty contract segments.

Although in general the shares of preference for Traditional and Ideal Model follow the pattern of all respondents, as presented in Figure 22, some interesting differences can be seen between loyalty contract levels. It is somewhat surprising that within segments with any level of loyalty contract and non-contract clients the utility for Traditional Model is at the same level. One could have imagined that contract clients choose Traditional Model more often if they feel that their loyalty contract offers them enough

flexibility and discounts. As Figure 22 shows, this is not the case. On the other hand, more distinctive difference can be seen in the utilities for Ideal Model; non-contract clients have utility of 62 % for Ideal Model when the utility within contract clients is only 49 %. Highest utility for Ideal Model is within those who chose 'Not applicable', round 66 %.

8 Conclusion and limitations

This chapter concludes the presented literature and research by answering the research questions and by discussing the limitations in validity and reliability. Furthermore, this chapter suggests points for future research.

Sub-research questions 1: Are customers willing to save money by accepting the less favorable terms and conditions of booking or do they prefer consistency in regards to the price over money savings?

In regards to the first subresearch questions, the results point out that monetary benefits are not a way to attract customers. Price was not in top three in terms of average importance. Monetary benefits do not seem to encourage customers to book earlier or choose a less busy date. They have only minor effect in the payment method and in fact, customers' high WTP for more favorable cancellation policy indicates that monetary consequences are of low importance all in all. Therefore it can be assumed that customers prefer consistent prices over money savings.

Sub-research questions 2: How much are they willing to pay for certain M&E pricing components?

Willingness to pay for different attribute levels was the second subresearch question, and as examined in chapter 6.4., the results turned out to be two-folded. WTP either does not exist (pre-booking and flexible date discounts) or it is more than the given price range (3 day change and cancellation policy). Only within payment methods, and more specifically credit card payment, exact WTP could be calculated. Compared to invoice payment after the event, respondents were willing to pay 7.76 € more for the option to receive discount for credit card payments.

Sub-research question 3: Do the outcomes of revenue management practices affect demand in Kämp Group's meetings?

Third of the subresearch questions was whether outcomes of RM practices would affect demand in Kämp Group's meeting and events. Literature suggest that RM practices might have negative effect, if M&E customers feel the practices are unfair or

that they make the buying process more difficult. As the results displayed, pre-booking and date flexibility discount were not preferred practices by respondents. Yet the results from this thesis do not seem to indicate that RM practices would have negative effect in demand for Kämp Group's meetings and events. Credit card payment discount, on the other hand, was endorsed by respondents, although difference to invoice as payment method was not too broad. Therefore no conclusion can be drawn that offering discount for prepayment or credit card payment would affect demand either way. Only 3 day change and cancellation policy had such a significant support, that it could affect M&E demand in a positive way.

MRQ: To which extent are Kämp Group's meeting and event customers willing to utilize possible outcomes of revenue management as part of their buying process?

As literature pointed out, any RM practices should be formulated in a way that customers feel they have received a benefit. This was taken into consideration when formulating the questions in the survey. Meaning, the respondents were offered either the current model or alternative options with discount. The results indicate that Kämp Group's M&E customers are actually not willing to utilize the offered discounts. In fact, the results suggest that customers are willing to pay more if the buying process becomes easier and more flexible for them. Therefore, if RM practices are implemented, Kämp Group should focus on practices which have a positive effect on the buying process from customer point of view instead of focusing on monetary benefits.

8.1 Validity

One major limitation in this survey was the price range for different options. In general the prices were too low, considering that the respondents were instructed to imagine they are booking a whole day meeting in GLO Hotel Kluuvi. In GLO Meets the normal price for a whole day package is 86 € when in this survey the highest price was 65 €. The fact, that the average importance of price attribute was only 11 % with three attributes above it shows that price was not of high importance to the respondents. Secondly, revenue sensitivity estimation presented in this did not reach the maximum point within the given price range and with the demand curves. Thirdly, as it turned

out, WTP for 3 day cancellation policy is beyond the price limits in this survey. Therefore this study does not fully support the purpose of finding the optimal price for different packages

Secondly, conjoint analysis only measures the things the researcher asks; willingness to pay for 3 day cancellation policy may be beyond the given price range, but the results cannot be extended to e.g. 5 day cancellation policy. Also, although the results indicate that respondents are not willing to receive 2,5 % discount by earlier bookings, with 5 % the results could be different. Therefore no further conclusions or assumptions can be made based on the results.

Although literature review in this thesis is comprehensive, most of the literature discusses M&E revenue management from larger perspective. In the USA, where most of the literature originates from, hotels in general have more rooms than hotels in Kämp Group and their meeting room capacity is totally different than general M&E capacity in Finland. Therefore any suggestions given in the existing literature should be carefully considered and researched before implementing within the Finnish M&E sector.

Normally conjoint analysis is used especially to test how new product would succeed on the market. In this case the assumption is made already that the product itself, meaning the M&E venue and catering offered, are up to customer preferences. Furthermore, one of the attributes in normally brand and alternative companies are offered in same survey. This way it can be found out what is the value of a certain brand for customers in regards to competition. However, already in the beginning of this study respondents were instructed to imagine they are booking a meeting specifically in GLO Hotel Kluuvi. This excluded the possibility to examine how competition would affect the demand and it has some effect on the validity of this study.

On the other hand, although there are some issues with the validity of this study, the results indicating preference for more flexible terms and conditions are nevertheless strong. Therefore they could give Kämp Group some direction how to improve their M&E sector.

8.2 Reliability

Since there were delays with the delivery of Sawtooth Software, the author had plenty of time to build a thorough and comprehensive literature review for this thesis. For the literature review many academic journals and well known authors were studied. The literature used is diverse and it supports the study well. On the other hand, in the field of M&E revenue management there are only two main sources, one of which is a commercial consultancy company.

Furthermore, one of the respondents sent the author feedback after taking the survey and pointed out that the questionnaire was not user-friendly and it should have been in Finnish or Swedish since it was conducted in Finland. Also the fact that the number of incomplete answers is 189 compared to 105 complete answers gives a sign that respondents felt the questionnaire is difficult to understand. The author also acknowledged this issue and it was taken into consideration as well as possible when formulating the questions. On the other hand, conjoint survey itself is a powerful methodology and such detailed results would have been hard to obtain with other methods. Therefore the risk of not receiving enough reliable responses was worth taking.

Additionally, when researching the results, it was discovered, that one person had replied the questionnaire twice. Both times this respondent had also answered 'None' to all conjoint questions. These responses, however, were not deleted from the final respondent list and therefore they can affect the results to some extent.

There are two issues related to the segmenting non-conjoint questions. First of all, within the loyalty contract levels in Kämp Group 7 % level is one of the discount levels, and it is even frequently used. When formulating the non-conjoint questions, however, the author was not aware of this discount level and although all questions were verified with Kämp Group's sales manager, the absence of this level was not discovered. This might be the reason that the number of respondents in segment 'Not applicable' is high. Secondly, instead of asking the industry, the size of respondent's organization could have given more valuable insights into the booking behavior of different companies.

The analysis part in general succeeded rather well, since the use of SMRT program is at the end of the day quite straightforward. There is endless number of possible simulations that could be conducted. Yet within the given time frame and without previous in depth knowledge about the analysis program the most significant results were reached.

8.3 Further research

The results indicate that M&E customers are not willing to utilize any monetary benefits if they can choose more flexibility within the terms and conditions. This finding could be tested further using other methods or within other companies in Finland or abroad. On the other hand the WTP for 3 day change and cancellation policy was not reached and it would be interesting to study the effect of alternative cancellation policies further. Also, there were some attributes which were left out from this study. Those attributes could be studied further.

Secondly, as it was mentioned in chapter 8.1. normally a conjoint study takes competition also into consideration. In this thesis no competition was included and therefore further research should take place.

One more interesting point would be also to build a model how the operations could shift the focus towards more ad hoc reservations and cancellations. After all, currently M&E managers are forced to plan at least three weeks ahead and if no preparation for last minute bookings exist, it results in large number of lost sales. Therefore a plan how to ensure profitable operations with low certainty of confirmed bookings should be conducted. It should be also investigated whether overbooking could be used to ensure profitable operations.

Finally, since HAAGA-HELIA University of Applied Sciences now has Sawtooth Software research program, diverse studies about hotel attributes or restaurant preferences could be conducted. On the other hand, use of conjoint analysis is not limited into hospitality field. Within marketing field it could be studied how students build preferences when choosing universities within Finland.

8.4 Learning process

The whole thesis process started in September 2013 with the request from Kämp Group to study RM in the meeting and event sector and my own interest towards conjoint analysis. Although the deadline for this thesis was originally set to Christmas 2013, the process took far longer. One reason was that I had to learn the whole theory of revenue management during the writing process since my previous knowledge from the field was very limited. Furthermore, very limited previous literature exists regarding M&R revenue management. Therefore building a theoretical framework was not an easy task.

Second reason was that HAAGA-HELIA University of Applied Sciences lacked the required program which eventually was used for the data collection and analysis purposes. Also the art of formulating a conjoint questionnaire and analysing the results had to be learned from scratch since only my thesis supervisor and one fellow student apart from myself had some knowledge about how to use the program. During the process it took many trials and errors to make everything work properly. Moreover, as the required program was received only in April, the questionnaire was finally sent to the respondents shortly before Midsummer. Since many potential respondents were already on holiday, I had to wait until August 2014 before large enough number of responses was reached and I was able to start analyzing the results.

Thirdly, making qualitative assumptions from the results is not something I am familiar with. Therefore the analysis part was not the easiest task. On the other hand, SMRT allows certain simulations and quite extensive amount of data was obtained. Meaning, I was able to reach meaningful and valid results. Lastly, conclusions made from the results combine the literature to the practice and they are insightful.

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Attachments

Attachment 1. Key terms and concepts.

ADR: Refers to average daily rate. Calculated by total daily revenue divided by rooms sold.

Attribute: For the product or service at hand, the researcher needs to create a list of variable attributes, meaning features, which the researcher wants to test among the potential customers (Hair Jr. et al. 2010, 264), e.g. when researching a new phone, its attributes could be color, memory size and price. The researcher should strive to identify the absolute determinants and include only those in the survey. An example from non-determinant attribute in car industry is the safety of a car. Although there might be differences in the safety measures, all cars must adhere with strict governmental rules and regulations, which is why all cars are considered to be somewhat safe, and thus safety has only a little contribution to the customer preferences. (Hair Jr. et al. 2010, 277.)

B2B: Business-to-business.

B2C: Business-to-consumer.

Choice task: Potential customers are offered an option to choose from two or more sets of partial or full profiles which the software has mixed randomly. Each choice task should include also an option to choose none of the created profiles (Hair Jr. et al. 2010, 263).

Customer lifetime value: Customer lifetime value is defined as the estimation of customer purchases over their lifetime, minus the costs of producing the good as well as serving and supporting the customer (Gupta et al. 2006).

Customer value and customer worth: In this thesis customer value refers to the non-monetary value, which a customer places upon a product or service. Conversely, customer worth refers to the monetary value, which the company gains. (Tranter et al. 2009, 53.)

Although the source material might use different term when talking about customer value, only these forms are used in this thesis.

Function space and meeting space: In this thesis there is no distinction between function space and meeting space. Both terms refer to space that can be rented for different purposes.

Level: For each attribute, two to five levels needs to be set, based on the real options a customer would have to choose from (Hair Jr. et al. 2010, 265). Examples of levels continuing the previous example of phone qualities would be white and black [color], 16GB and 32 GB [memory size] and 249 €, 299 € and 349 € [price].

Occupancy: The percentage of how many guest rooms are sold for each night.

Price differentiation: According to Phillips (2005, 74) “price differentiation refers to the practice of a seller charging different prices to different customers, either for exactly the same good or for slightly different versions of the same good”. Price differentiation is also sometimes referred to as price discrimination. Price differentiation will be discussed in detail in chapter 3.3.

Profile: consists of set of different attribute levels. If one level from all attributes is provided at the same time, the profile is called full-profile (Hair Jr. et al. 2010, 264).

Revenue, contribution and profits: In meeting pricing each source of revenue has a different profit margin. Therefore, it would be more useful to talk about contribution or gross operating profit (GOP) of a certain meeting instead of revenue, since these terms take into consideration the varying profit margins of meeting and event revenue (Orkin, 2003; Kimes & McGuire, 2001). In the theoretical framework the term from original source is used which in most cases is still revenue. Some authors use also other terms, which is why there might be several different performance indicators introduced within the same chapter, as per the source material. However, every company should individually assess which indicator to use. According to Corr (2013) most useful ones would be gross profit or gross operating profit depending how tightly e.g. rent is tied

to revenue and whether electricity or water among other things are calculated for each department individually.

Revenue Management (RM): Revenue management can be defined as “the methodological approach to allocating a perishable and fixed inventory to the most profitable customers” (Hayes & Miller, 2011, 121). RM will be discussed in this thesis from several viewpoints in order to give reader comprehensive overview of the process as well as its benefits and challenges.

RevPAR: Revenue per available room is calculated by $ADR \times \text{occupancy \%}$. (Hayes & Miller, 2011, 20)

Share of preference: Sometimes the results of conjoint analysis are referred as market shares. However, in order to be able to calculate the actual market share, all possible effects should be taken into consideration, such as length of time on the market, advertising and effectiveness of sales force. Since all of those factors rarely can be included, the results should be interpreted rather as relative indications of preference instead of market shares. (Sawtooth Software, Inc. 2014g).

Utility score (or part worth): The software keeps track how often each level of different attributes was chosen at different prices and then indicates the preference, or utility score, for different level combinations (Sawtooth Software, Inc. 2014a). The utility score, also known as part worth, indicates the holistic value of a specific objective and is a measure of individual's overall preference, since it combines all features, both tangible (e.g. price) and intangible (e.g. brand) (Hair Jr. et al. 2010, 266).

Willingness-to-pay: Willingness-to-pay (WTP) refers to the maximum amount that a potential customer is willing to pay for our product or service (Phillips, 2005, 46).

Attachment 2. Comparison between alternative RM process descriptions

Sources: Tranter et al. (2009, 191) [left column] and Kimes & McGuire (2001) as well as Corr (2013) [right column].

<ul style="list-style-type: none"> • Customer knowledge • Market segmentation 	1. Establishment of baseline <ul style="list-style-type: none"> a. Key performance indicators (KPI's) b. Market segmentation; how to segment, which segments to rely on? c. Demand for each market segment by month, day and day part d. Booking behavior by market segments
<ul style="list-style-type: none"> • Internal assessment • Competitive analysis • Channel analysis and selection 	2. Data Collection and analysis <ul style="list-style-type: none"> a. Sources of data? b. Benchmarking c. Conversion rate measurement d. Which channels to use for function space content distribution?
<ul style="list-style-type: none"> • Demand forecasting 	3. Forecasting <ul style="list-style-type: none"> a. Demand calendars including day parts, function rooms, event types and forecast levels b. Constrained and unconstrained demand c. Space wash d. Anticipated catering
<ul style="list-style-type: none"> • Capacity management 	4. Space management <ul style="list-style-type: none"> a. Displacement calculations b. Turnaround time evaluations c. Length of stay controls
<ul style="list-style-type: none"> • Pricing 	5. Pricing <ul style="list-style-type: none"> a. Pricing strategies according to the forecasted demand b. Dynamic pricing approach c. Rate fences
	6. Strategy implementation <ul style="list-style-type: none"> a. Training of key employees b. Sales incentives

	7. Monitoring success a. E.g. increase in revenue per available m2
--	--

Attachment 3. List of alternative rate fences.

Category	In other industries	In the M&E sector
Physical rate fences	<ul style="list-style-type: none"> • Location of the buyer (Hayes & Miller, 2011, 110) 	<ul style="list-style-type: none"> • Location of the function space (Kimes & McGuire, 2001) • Certain technical equipment (Kimes & McGuire, 2001)
Customer characteristics	<ul style="list-style-type: none"> • Age or status • Business or individual customer • Frequency • Loyalty (Zhang, 2011, 144) 	<ul style="list-style-type: none"> • Discount for repeat customers • Discount for certain organizations (Kimes and McGuire, 2001) • Rewards for loyal customers (Talonon, J. 28 Oct 2013)
Transaction characteristics	<ul style="list-style-type: none"> • Advance purchase rate (with limited change and cancellation possibility) • Channel of purchase or reservation • Method of payment (Zhang, 2011, 140-141) • Volume discounts (Hayes & Miller, 2011, 109) 	<ul style="list-style-type: none"> • Early booking rates • Advance payment rates (Kimes & McGuire, 2001)
Product characteristics	<ul style="list-style-type: none"> • Time of usage (e.g. off-peak) • Usage requirements (e.g. minimum length-of-stay) • Availability of a salesperson • Speed of delivery (Zhang, 2011, 141-143) 	<ul style="list-style-type: none"> • Length-of-stay controls (Corr, 2013)

Attachment 4. Introduction to different conjoint methods.

Choice-Based Conjoint analysis offers the respondent full profiles in addition to None-option to choose from. The main difference to other conjoint models is that respondents choose between a variety of profiles instead of rating or ranking them. CBC is used especially to study the relation between price and demand and it forces respondents to choose products as they would do also in stores. (Sawtooth Software, Inc. 2014c.) Since CBC provides full profiles in each task, maximum 6 attributes is the limit which a respondent can handle (Green & Srinivasan 1990).

CBC Advanced Design Module is, as the title indicates, an advanced version from traditional Choice-Based Conjoint analysis. It is especially suitable when the survey requires more than ten attributes, too many prohibitions and when entire attributes only apply to certain levels of other attributes. (Sawtooth Software, Inc. 2014d.)

Adaptive Conjoint Analysis was developed since it was discovered that the data provided by traditional CBC Analysis is not accurate enough. Respondents might find traditional CBC surveys boring and not ideal enough. In these cases they might focus more on one specific attribute than they would in normal situation. Therefore Adaptive Conjoint Analysis first allows the respondent to build his/her own selection of most preferable attribute levels. When the respondents makes progress in the questionnaire, the program asks the respondent to select most undesired and most wanted attribute level. This way the program 'adapts' according to the responses and leads to more engaged answers. Thus more accurate data can be obtained. Moreover, Adaptive Conjoint Analysis allows the incorporation of price to all attribute levels, which gives the possibility to display summed price to the respondent. (Sawtooth Software, Inc. 2014e.)

Menu-Based Choice Model is suitable for situations in which the buyer is able to select combine options from pre-designed bundles and / or à la carte. These situations usually occur in restaurants or financial as well as insurance services where customer can choose one or multiple options from the selection. Compared to Choice-Based Conjoint analysis, Menu-Based Choice Model is more realistic in terms of customer

selection since customer make their own choices how many options to choose.
(Sawtooth Software, Inc. 2014f.)

Max-Diff (Best/Worst item scaling) analysis is actually not a conjoint analysis and it is not a substitute to conjoint analysis. It can also be used, however, to find out customer preferences or importance for multiple items and therefore it would be sometimes used instead of conjoint analysis. In Max-Diff survey respondents are offered a number of items, e.g. four factors to choose a fast food restaurant. Each respondent then chooses the factors that most likely and least likely affect respondent's decision to choose a certain restaurant. By forcing respondents to choose best and worst alternative Max-Diff provides greater discrimination between different alternatives that traditional rating scale would provide. Furthermore, Max-Diff is relatively easy to use for both researcher and respondent. (Sawtooth Software, Inc. 2012b) The downside is the lack of correlation to price. Meaning it is not possible to analyze the customer willingness to pay with Max-Diff analysis. Instead, Max-Diff only provides utility scores for each item.

► Welcome to this survey regarding meeting and event pricing in Kämp Group



Please click the arrow button to start the questionnaire



► This survey aims to find out Your opinion about different pricing aspects when considering meeting and event bookings. You will be asked to choose from 10 scenarios with slightly different pricing schemes. Please answer the questions as if You were actually booking a meeting.

The survey takes about 5-7 minutes to fill and you know it has been successfully finished when you see the front page of GLO Hotels web site.

By answering this survey you have a chance to win a dinner for two in one of Kämp Group's restaurants. If you wish to take part in the draw, please leave your contact details at the end of the survey.

Please note that all survey answers will be anonymous and the given contact details cannot be attached to specific responses.



0%  100%

► How to answer the survey:

- Consider that you are in the process of booking a whole day meeting for 20 people with breakfast, lunch and afternoon coffee. You have chosen GLO Meets, located in GLO Hotel Kluuvi, as one of your options. If these were your only options in GLO Meets, which one would you choose?

Assess the options combined and choose the most suitable package.

Possible loyalty discounts do not apply in these scenarios.

The price shown at the bottom is the total price from which the indicated discounts are given.

Choose by clicking one of the options below:

Time of the booking	No discount I don't want the time of booking to affect the price	5 % discount If booking is made more than 3 months in advance	No discount I don't want the time of booking to affect the price	NONE: I wouldn't choose any of these.
Time of the meeting	No discount I don't want the time of our meeting to affect the price	2,5 % discount I might be able to organize our meeting on a less busy day	2,5 % discount I might be able to organize our meeting on a less busy day	
Method of payment	10 % discount Prepayment	10 % discount Prepayment	2,5 % discount Credit card payment on spot	
Change and cancellation policy	5 % discount Changes or cancellation not possible closer than 1 month prior to the meeting	5 % discount Changes or cancellation not possible closer than 1 month prior to the meeting	No discount Full right to change or cancel the meeting until 3 days prior to the meeting	
Package option Place your mouse above the package for more information	Traditional meeting package	ROOM ONLY	Room rent including technical equipment	
Price per person	57€	18€	25€	



0% 100%

- Consider that you are in the process of booking a whole day meeting for 20 people with breakfast, lunch and afternoon coffee. You have chosen GLO Meets, located in GLO Hotel Kluuvi, as one of your options. If these were your only options in GLO Meets, which one would you choose?

Possible loyalty discounts do not apply in these scenarios.

The price shown at the bottom is the starting price from which the indicated discounts are given (not the discount itself).

Choose by clicking one of the options below:

	Option 1	Option 2	Option 3	Option 4
Time of the booking	No discount The time of booking does not affect the price	No discount The time of booking does not affect the price	5 % discount If booking is made more than 3 months in advance	NONE: I wouldn't choose any of these.
Time of the meeting	No discount The time of the meeting does not affect the price	No discount The time of the meeting does not affect the price	2,5 % discount Date flexible according to available time slots	
Method of payment	No discount Invoice (invoicing fee 17€)	2,5 % discount Credit card payment on spot	10 % discount Prepayment	
Change and cancellation policy	5 % discount 1 month change and cancellation policy	No discount 3 days change and cancellation policy	5 % discount 1 month change and cancellation policy	
Package option	ROOM ONLY	Traditional meeting package	Room rent including technical equipment	
Price per person	18€	57€	25€	

Place your mouse above the given options for more information.



0% 100%

On average, how many meetings per year does your company organize?

- ☐ 11 or more
- ☐ 6-10
- ☐ 3-5
- ☐ 1-2
- ☐ None

On average, how much is your budget per participant when organizing a meeting?

- ☐ 81€ or more
- ☐ 71-80€
- ☐ 61-70€
- ☐ 51-60€
- ☐ 41-50€
- ☐ 40€ or less
- ☐ Not applicable

Is your company one of Kämp Group's contract clients? If yes, which level?

- ☐ Yes, 15 %
- ☐ Yes, 10 %
- ☐ Yes, 5 %
- ☐ Not a contract client
- ☐ Not applicable

Which industry does your company represent?

- ☐ Public administration and defence
- ☐ Union
- ☐ Education
- ☐ Hotel and restaurant
- ☐ Finance and insurance
- ☐ Consultancy
- ☐ Manufacturing
- ☐ IT and communication
- ☐ Real estate
- ☐ Marketing
- ☐ Healthcare
- ☐ Other, please specify:



0%  100%

► Thank you for taking time to answer this survey!

Please click the arrow once more to finalize the survey.

For the chance to win a dinner for two, please leave your contact details below (Name, postal address and email-address or mobile number). If you do not wish to leave your contact details, please quit the survey by clicking the arrow.

(Not mandatory)



0%  100%



[Kotisivulle](#) | [Lähetä kaverille](#) | [Tilaa uutiskirje](#) | [Hotel Kämp Magazine](#)

Asiakastutkimus

Arvoisa kokousasiakkaamme!

Kämp Group haluaa uudistaa kokoushinnoittelua ja Sinun mielipiteesi kokousasiakkaamme on ensiarvoisen tärkeä! Kyselyn avulla pyrimme selvittämään, mitä kokouksien hintaan vaikuttavia tekijöitä Sinä arvostat eniten. Vastaamalla oheiseen kyselyyn voit vaikuttaa mm. siihen, miten mahdolliset alennukset tulevaisuudessa määräytyvät. Kysely on englanniksi ja siihen vastaaminen vie n. 5-7 minuuttia.

[Klikkaa tästä kyselyyn](#)

Palkkioksi vastaamisesta arvomme kolmen ruokailajin illallislahjakortin kahdelle hengelle. Lahjakortin voi käyttää missä tahansa Kämp Groupin ravintolassa.

Kiitos vastauksestasi!

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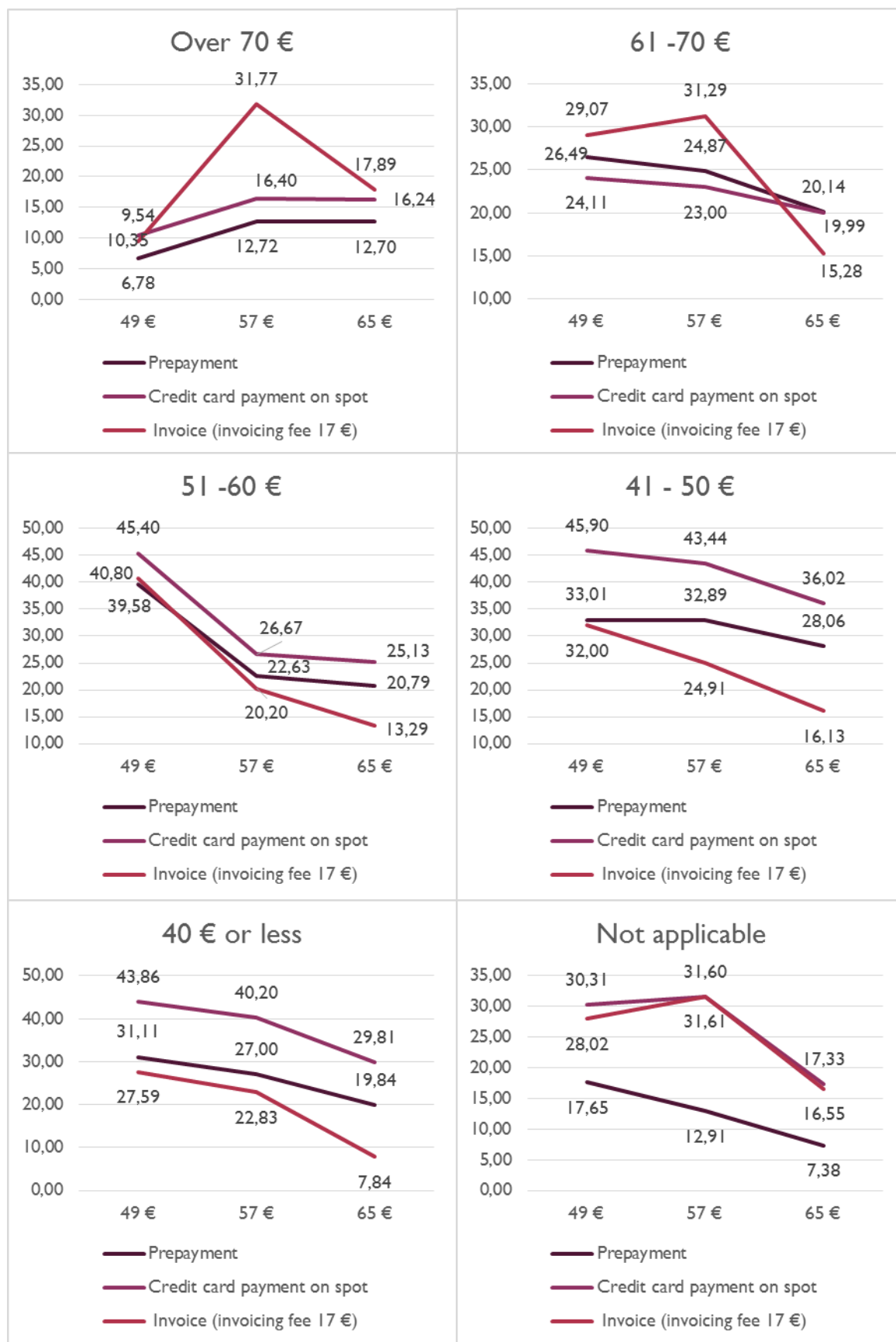
niina.vayrynen@kampgroup.fi



Attachment 7. Share of preference for time of booking options by budget groups



Attachment 8. Share of preference for payment methods by budget groups



Attachment 9. Share of preference for package options by budget groups

